UNION GAS

UNION GAS COMPANY OF CANADA, LIMITED

ANNUAL REPORT
for the fiscal year ended March 31
1968

An additional 37 miles of 34-inch diameter, high pressure pipeline was installed during the summer of 1967, in the area between Woodstock and Hamilton. This was the third stage in looping your Company's main east-west transmission system. The fourth and final stage, involving 18.5 miles of pipeline, will be added as required.

UNION GAS COMPANY OF CANADA, LIMITED
and its subsidiaries

CONSOLIDATED COMPARATIVE HIGHLIGHTS

Fiscal years ended March 31	1968	1967	1966
Net profit for the year	$ 10,022,113	$ 8,832,952	$ 7,665,602
Dividends paid on preference shares	$ 1,066,492	$ 1,079,342	$ 1,087,500
Earnings applicable to common shares	$ 8,955,621	$ 7,753,610	$ 6,578,102
Earnings per common share outstanding at year end	59.6¢	51.8¢	44.0¢
Dividends declared on common shares:			
Total	$ 5,098,715	$ 4,037,838	$ 3,489,490
Per share	34.0¢	27.0¢	23.3¢
Natural gas sales *M.C.F.	100,098,812	85,764,327	72,116,044
Gross revenue from gas sales	$ 87,882,241	$ 77,404,076	$ 66,972,790
Total customers at year end	303,627	292,651	282,592
Average gas use per customer *M.C.F.:			
Residential	136.6	130.8	124.1
Commercial	573.5	532.4	462.7
Maximum day send-out *M.C.F.	942,356	808,477	677,355
Gross Property Account at year end	$228,132,739	$209,852,061	$198,552,021

*M.C.F. means Thousand Cubic Feet

The Company and its subsidiaries are engaged in purchasing, producing, storing, transmitting and distributing natural gas in numerous municipalities in southwestern Ontario.

SUBSIDIARY COMPANIES

United Fuel Investments, Limited:
(in voluntary liquidation)
A holding company owning all of the outstanding shares of United Gas Limited, which is the distributor of natural gas in the city of Hamilton, the towns of Oakville, Burlington, Dundas, Milton, Georgetown and Acton and areas adjacent to these municipalities.
The outstanding capital stock of United Fuel Investments, Limited consists of 90,000 common shares of no par value, of which 89,908 shares were owned by Union Gas Company of Canada, Limited at March 31, 1968. For developments since that date see page 18.

Contents

BOARD OF DIRECTORS

Sidney M. Blair
Vice-Chairman of the Board, Canadian Bechtel Limited, Toronto.

W. L. Duffield
Chairman, London District Advisory Committee, Union Gas Company of Canada, Limited, London.

C. Malim Harding, O.B.E.
Chairman of the Board, Harding Carpets Limited, Brantford.

F. W. P. Jones
Professor, School of Business Administration, University of Western Ontario, London.

H. B. Keenleyside, C.B.E.
Company Director, Toronto.

R. L. O'Brian
Investment Banker, Buffalo, N.Y.

F. R. Palin, F.C.A.
President and General Manager, Union Gas Company of Canada, Limited, Chatham.

David P. Rogers
Chairman of the Board, Union Gas Company of Canada, Limited, Toronto.

Rhys M. Sale, LL.D., D.Sc.
Company Director, Toronto.

Laurence M. Savage
Company Director, Galt.

W. Dent Smith, LL.D.
Company Director, Toronto.

Ron W. Todgham
President, Chrysler Canada Limited, Windsor.

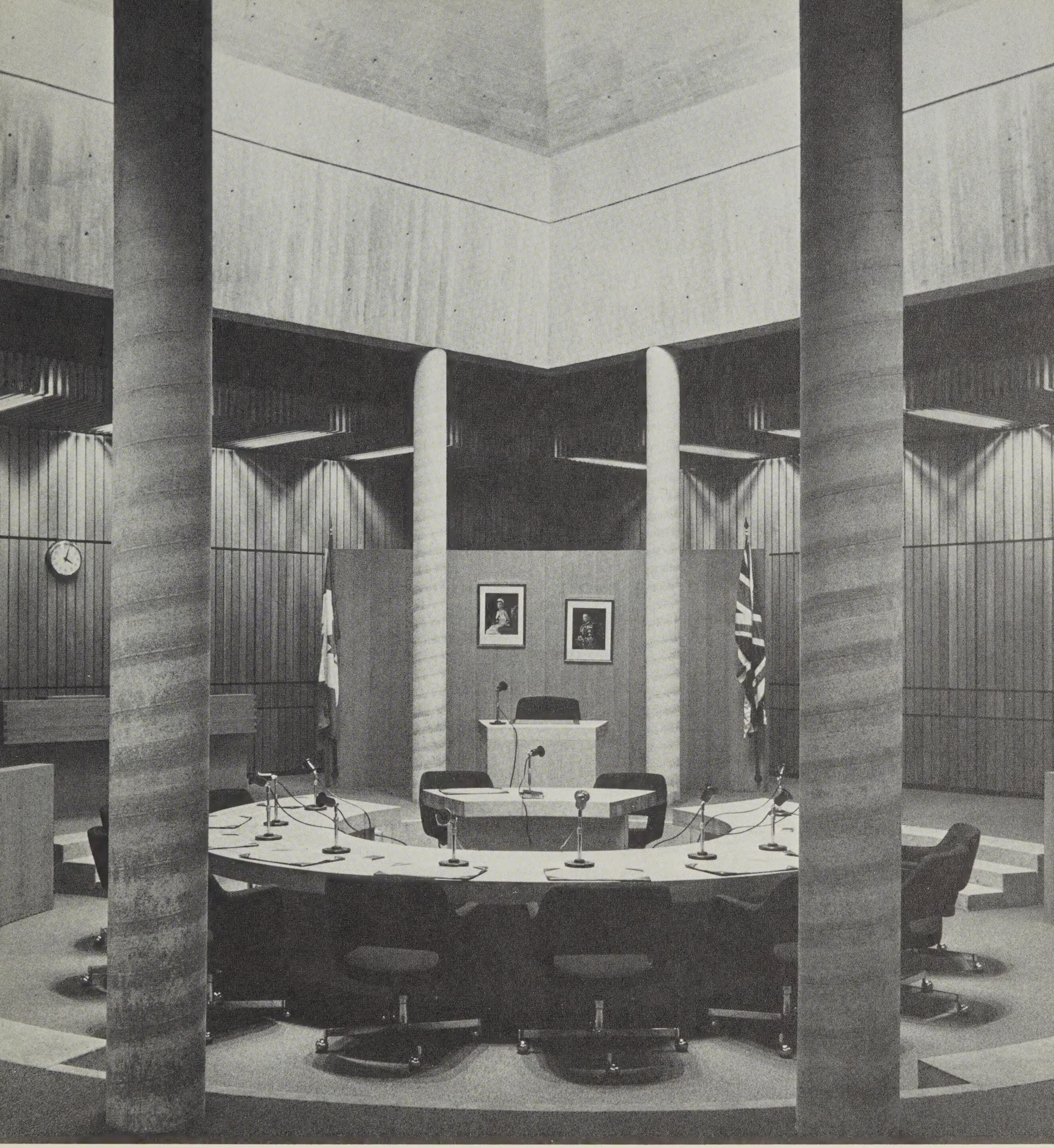
T. Weir, M.C., E.D., F.C.A.
Company Director, formerly Vice-President and General Manager, Union Gas Company of Canada, Limited, Chatham.

PRINCIPAL OFFICERS

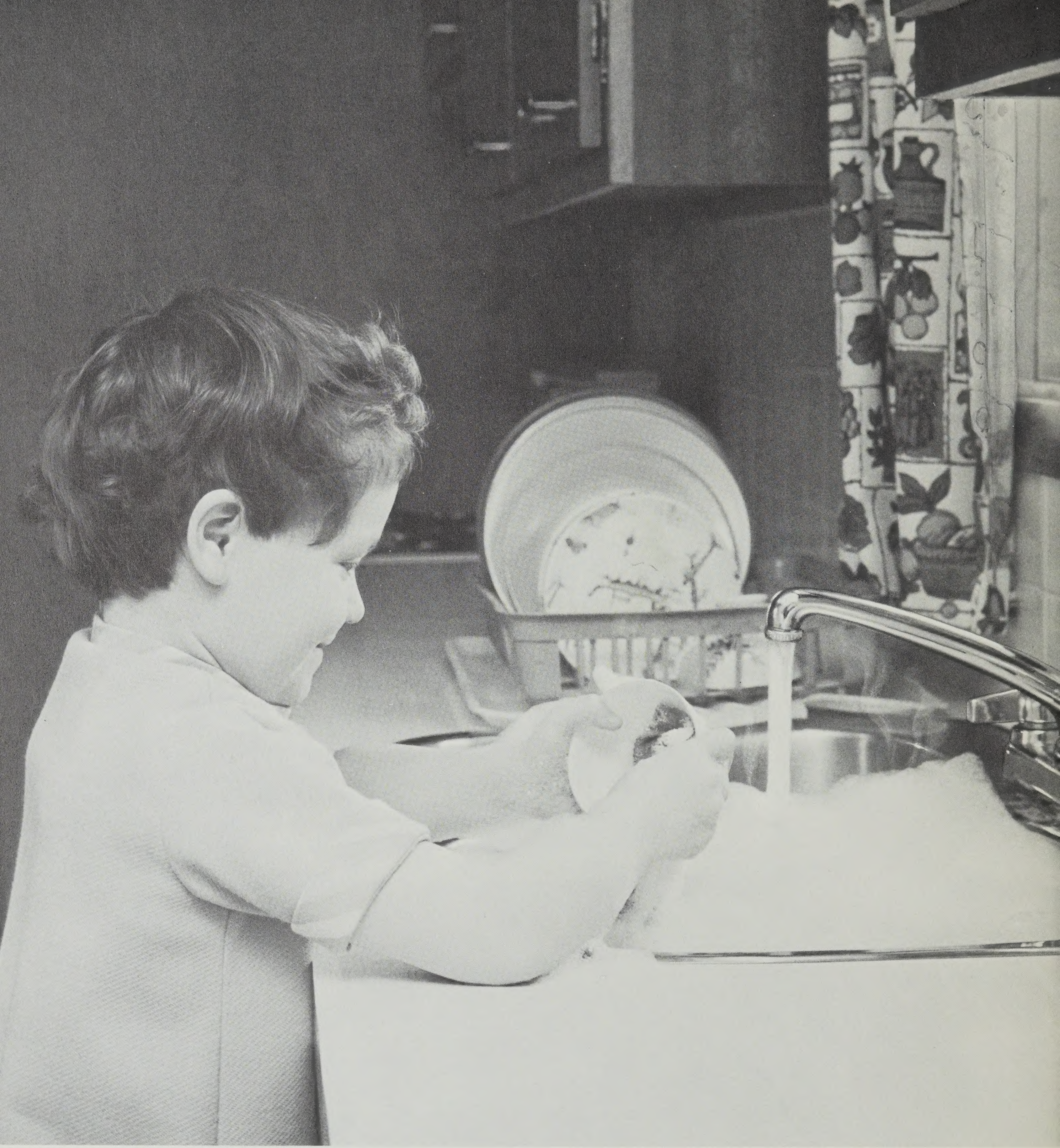
David P. Rogers, *Chairman of the Board*
R. L. O'Brian, *Vice-Chairman of the Board*
F. R. Palin, F.C.A., *President and General Manager*
G. H. D. Martin, P. Eng., *Vice-President, Operations*
G. M. Douglas, *Vice-President, Sales*
W. G. Stewart, C.A., *Treasurer*
J. W. S. McOuat, *Secretary*
G. E. Miller, C.A., *Comptroller*

LONDON DISTRICT ADVISORY COMMITTEE

W. L. Duffield, *Chairman*
J. Innes Carling, O.B.E.
P. A. DuMoulin
H. K. Ingram, V.D.
J. H. Stevens



Brantford's new municipal headquarters is possibly the most distinctive office to be erected in southwestern Ontario in recent years. Particularly striking is the council chamber (shown here), which is distinguished by the strong vertical lines of the columns and wall panels. Natural gas was chosen for the building's heating system.



Supplying the family's many and varied hot water requirements remains one of the most important applications of natural gas in the home. For dishes or laundry, for a refreshing shower or merely to soak your tired feet, hot water is essential. A natural gas water heater delivers all the hot water you need, whenever you need it.

From the Review which follows you will see that the fiscal year ended March 31, 1968 was another period of record performance for the Company with net profit realized, volume and value of gas sales, number of customers served and dividends declared all setting new records. These achievements result from the continued trend of expanding operations experienced throughout each of the past several years.

For the fiscal year ended March 31, 1968 consolidated net profit was $10,022,113. After payment of dividends in the amount of $1,066,492 on preference shares the net profit applicable to common shares was $8,955,621, equivalent to 59.6¢ per common share outstanding at year end. In the prior fiscal year net profit applicable to common shares was $7,753,610, or 51.8¢ per common share outstanding at year end.

It is the practice of the Company for income tax purposes to claim allowances for depreciation, amortization of natural gas conversion costs and construction overheads in excess of amounts charged in arriving at profit for the year. As a result, income taxes payable currently will be less than the provision for the 1968 fiscal year by $2,366,000 ($1,840,000 in 1967) and accordingly this amount is included in the balance sheet in the item "Deferred income taxes". Had this amount been considered as a reduction in income taxes charged against operations, earnings per share for the fiscal year ended March 31, 1968 would have been recorded at 75.4¢ (64.1¢ in 1967).

During the fiscal year ended March 31, 1968 the Board of Directors declared quarterly dividends on the outstanding common shares of the Company of 8¢ per share payable August 1 and November 1, 1967 and of 9¢ per share payable February 1 and May 1, 1968, or total dividend declarations of 34¢ per common share. On May 13, 1968 the Directors declared a quarterly dividend of 11¢ per share on the common shares of the Company payable August 1, 1968 to Shareholders of record July 5, 1968. This is equivalent to an annual dividend rate of 44¢ per share.

The volume of gas sold during the fiscal year ended March 31, 1968 of 100.1 billion cubic feet was 14.3 billion cubic feet, or 16.7%, greater than for the 1967 fiscal year, with gross revenues of $87.9 million from such sales being 13.5% more than for the prior year. Average temperatures prevailing during the heating seasons of the 1968 fiscal year were some 7% colder than normal but only slightly colder than for the 1967 fiscal year. This cooler weather, the addition of 10,976 customers to the lines during the year, the efforts of the sales staff and greater industrial activity in the Company's service areas all contributed to the increased volume and value of gas sales.

Throughout the past fiscal year the Company continued its program of improving the technical skills of its staff of industrial, commercial and residential sales and promotional personnel. Despite the competitive pressures of other types of energy, new business gained as a result of this effort and from expanded advertising programs employing many popular media, has been most gratifying. It is planned that these programs, designed to increase the Company's share of the over-all energy market, will be continued on an expanded basis during the current fiscal year.

Close control is being maintained on operating and construction costs. At the same time new procedures designed to maintain efficient and reliable service are being introduced. Such actions are contributing to the growth in the Company's earnings.

The future course of such costs as taxes, wages and salaries including fringe benefits, and interest on borrowed capital, and their impact on earnings, are difficult to predict. However, every effort will be made to develop economies and efficiencies to help offset, or at least minimize, these higher costs of doing business.

It is anticipated that during the fiscal year commenced April 1, 1968 a total of $24 million will be expended on Property Account (fiscal year ended March 31, 1968, Property Account expenditures $20 million). Major amounts will be spent on increasing main feeder pipeline capacities into several of the more important gas distribution centres of the Company. A new administrative and service centre building will be completed in the city of London and construction will begin on similar facilities in the city of Windsor. Extensive expendi-

tures will be made on gas distribution system pipelines, service laterals, meters and ancillary equipment to expand service in all markets to meet the increasing gas requirements of present and prospective customers. The Company's program of replacement, renewal and up-grading of present plant facilities will be continued as required.

During the fiscal year ended March 31, 1968 the Company's gas supplies were augmented by additional volumes from Panhandle Eastern Pipe Line Company in the United States and also by receipts of additional gas from Trans-Canada Pipe Lines Limited through completion by its affiliated Great Lakes Gas Transmission Company, of the first phase of pipeline facilities being constructed to make larger volumes of western Canada gas available in eastern Canada.

In view of the extensive and expanding area over which the Company operates and the constantly increasing volumes of gas required to meet the needs of all customers, the Company must continue to take all reasonable steps to obtain gas supplies from the various sources available to assure continuity of receipt of adequate volumes to satisfy all demands.

With this objective in mind Union Gas has entered into a new 20-year contract for the purchase from the Panhandle Company of volumes of gas ranging up to 60.5 billion cubic feet per annum by the sixth and subsequent contract years, which volumes will include gas currently imported under the present contracts between Union Gas and the Panhandle Company, such present contracts being replaced and superseded by the new contract.

Receipts of gas by Union under the new contract are dependent upon the approval thereof by both the Canadian and United States governments. Hearings on the application of Union to import this additional gas have commenced before the National Energy Board at Ottawa. While Union's proposal is economically sound and in the best interests of its customers and shareholders, the plan is being opposed in some quarters before the National Energy Board. No date has as yet been fixed for hearings on the matter by the United States government. Approval of the project will make necessary the construction of an additional international pipeline under the Detroit River and assure the availability to Union in areas close to some of its large industrial markets of important supplies of gas over a long term period.

In November, 1967 The Consumers' Gas Company and Union Gas Company of Canada, Limited announced that they were investigating the possibilities of an amalgamation or merger of the two companies. While studies are continuing, no conclusion has been reached as to whether such an arrangement might be feasible or advantageous.

The annual meeting of Shareholders, which will be held in Chatham, Ontario, on Tuesday, June 18, 1968, is also being called as a special general meeting to consider and, if thought fit, confirm a special resolution which has been passed by the Board of Directors authorizing an application for Supplementary Letters Patent to increase the capital of the Company by the creation of an additional 400,000 preference shares with a par value of $50 each. While there are no plans for the sale of additional preference shares, the Directors consider that the authorized capital of the Company should be increased at this time to facilitate the raising of additional equity capital if and as required.

The Consolidated Comparative Highlights on page one of this Report show in comparison with the two previous fiscal years certain items of importance pertaining to the 1968 fiscal year. While the Review covers items of interest relative to operations over the past year and as planned for the immediate future, the extensive and steady growth of the Company during the past ten years is portrayed in the Operating Charts and the Financial and Operating Statistics beginning at page 26. A System Map appears on the inside back cover.

As the Directors always welcome the active interest of Shareholders in the affairs of the Company, we hope that you will be in attendance at the 1968 annual and special general meeting of shareholders. If you are unable to be present at the meeting in person, we request that you complete promptly the form of proxy already mailed to you and return it in the envelope provided, in order that the common shares of this Company registered in your name may be voted at the meeting.

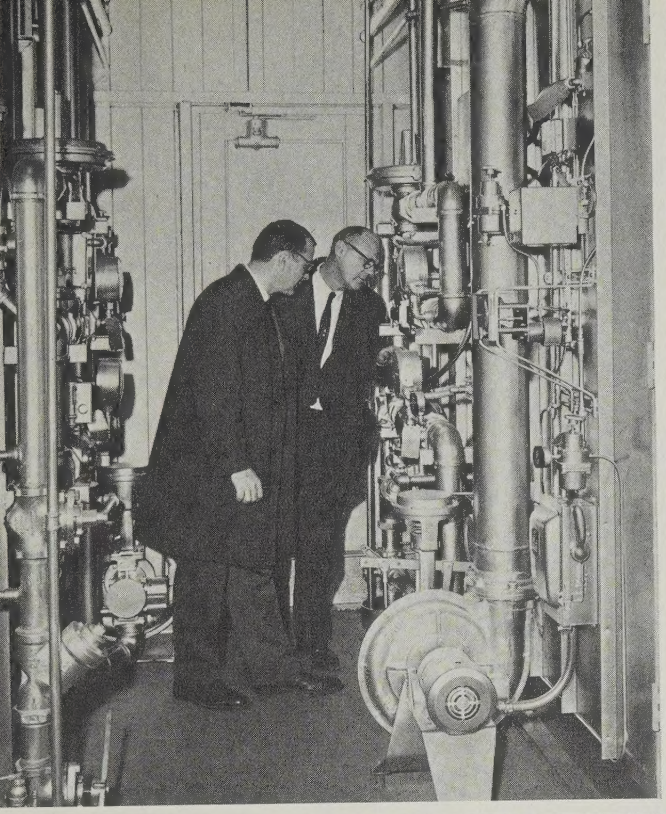
Sincerely,

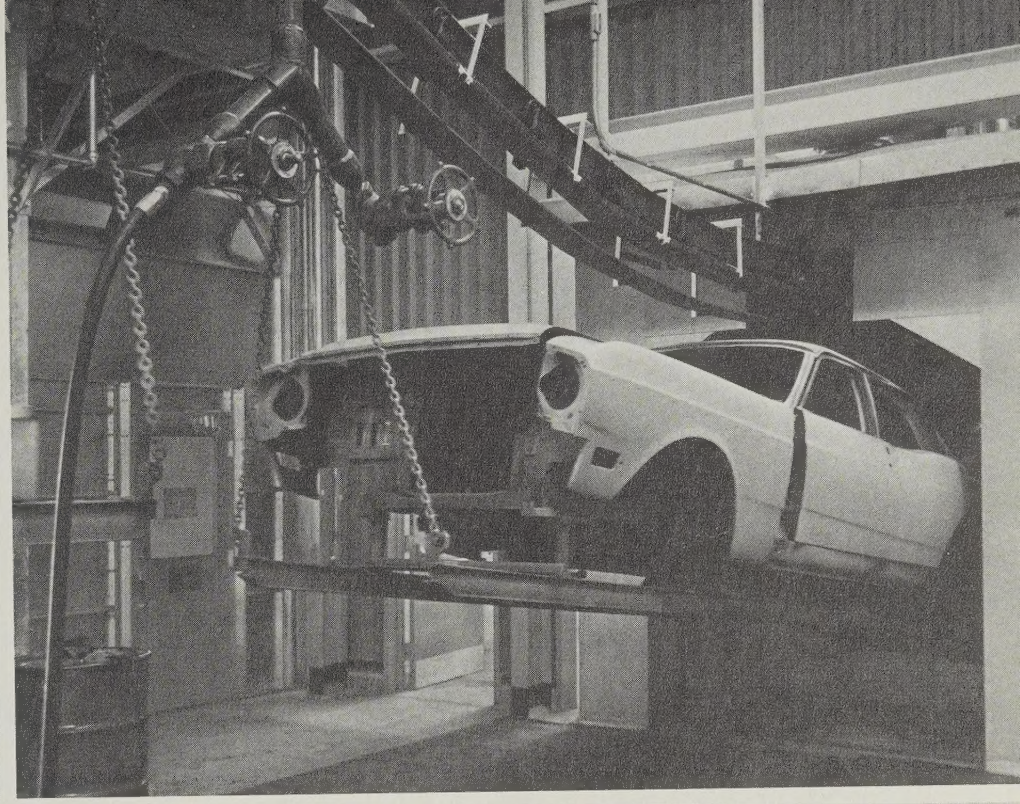
David A. Lyon

Chairman of the Board

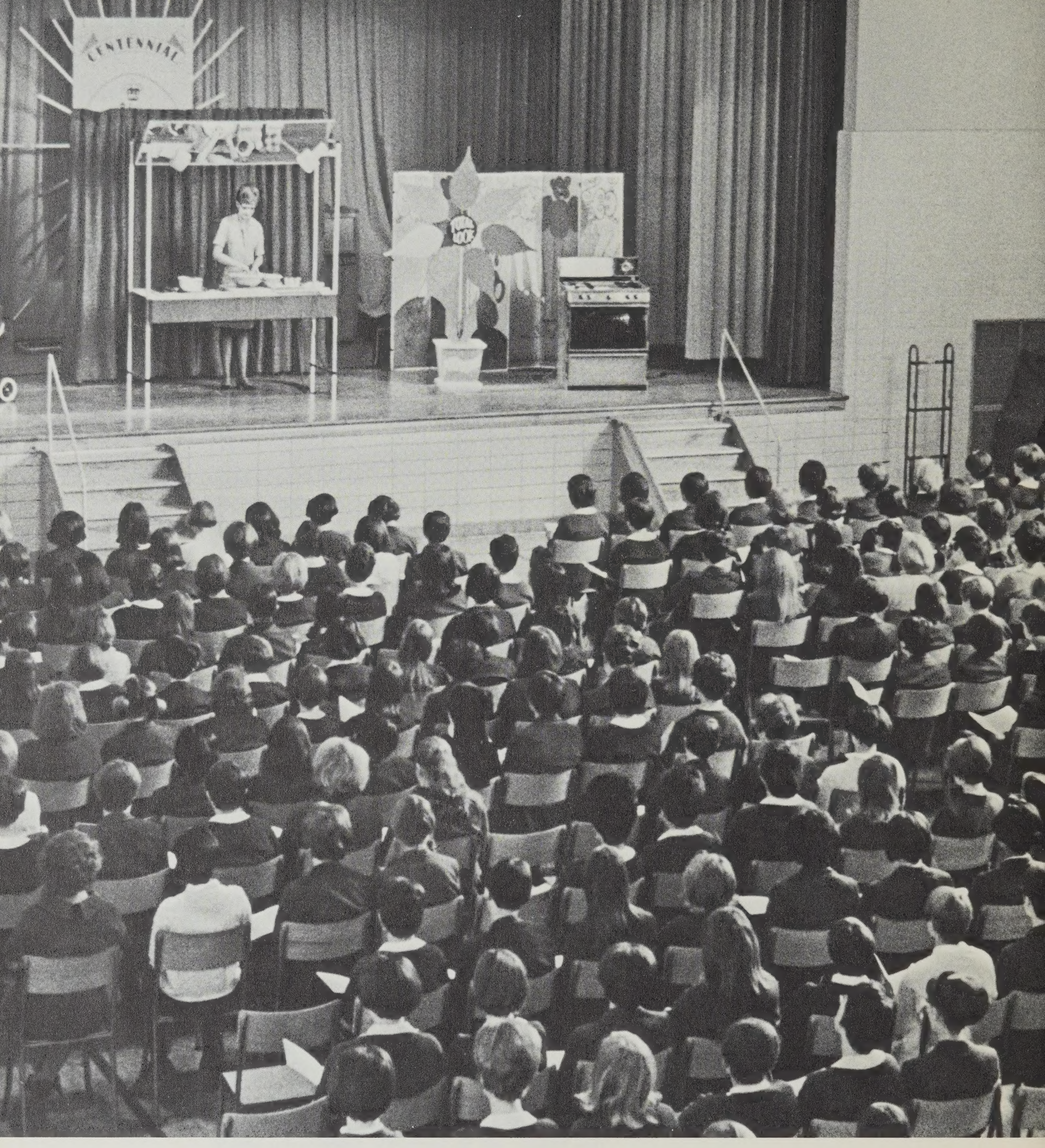
President and General Manager

Chatham, Ontario, May 13, 1968.





Natural gas serves southwestern Ontario's automotive industry in many ways, not the least of which concerns the baking of hard enamel finishes on the new car bodies. **Top left:** In roof-top installations such as these, natural gas burners pre-heat outside air before it is blown into the paint-drying ovens. **Top right:** A freshly-painted "shell" emerges, glossy and colorful, from a gas-fired dryer.



Potpourri—a presentation combining tips on cooking, fashions and homemaking—was produced by your Company's home service personnel. During the latter part of the 1967-68 fiscal year, this show was staged for more than 23,000 teenagers at 82 schools across southwestern Ontario.

OPERATING RESULTS

The results of the operations of Union Gas Company of Canada, Limited consolidated with those of United Fuel Investments, Limited and United Gas Limited, for the fiscal year ended March 31, 1968, as compared with the previous fiscal year, were as follows:

	Fiscal year ended March 31		Increase or decrease (—)
	1968	**1967**	**1968** over **1967**
Operating revenue and other income:			
Gross revenue from gas sales	$ 87,882,241	$ 77,404,076	$ 10,478,165
Other operating and interest income	7,396,566	6,362,527	1,034,039
	95,278,807	83,766,603	11,512,204
Operating expenses and interest:			
Cost of gas sent out	40,374,712	34,035,397	6,339,315
Other operating and maintenance expenses	20,089,180	18,218,833	1,870,347
Taxes other than income taxes	2,408,732	2,315,542	93,190
Depreciation	6,088,796	5,707,571	381,225
Amortization of natural gas conversion costs	64,733	103,200	(–)38,467
Interest on bonds, debentures and bank loans and other funded debt charges	6,014,257	5,586,034	428,223
	75,040,410	65,966,577	9,073,833
Profit before income taxes	20,238,397	17,800,026	2,438,371
Income taxes	10,215,000	8,966,000	1,249,000
Net profit before minority interest	10,023,397	8,834,026	1,189,371
Deduct:			
Interest of minority shareholders on a pro rata basis in net profit of United Fuel Investments, Limited	1,284	1,074	210
Consolidated net profit for the year	10,022,113	8,832,952	1,189,161
Dividends paid on preference shares	1,066,492	1,079,342	(–)12,850
Earnings applicable to common shares	$ 8,955,621	$ 7,753,610	$ 1,202,011
Earnings per common share outstanding at year end	59.6¢	51.8¢	7.8¢
Common share dividends declared:			
Total amount	$ 5,098,715	$ 4,037,838	$ 1,060,877
Per share	34.0¢	27.0¢	7.0¢

GAS SALES

Revenue from sales of gas for the 1968 fiscal year was $87,882,241, an increase of $10,478,165, or 13.5%, over 1967. The total volume of gas sold of 100.1 billion cubic feet was 14.3 billion cubic feet, or 16.7%, more than the prior year. Customers served by the Company at March 31, 1968 totalled 303,627, an increase of 10,976 during the year.

The average gas use per residential customer increased by 5.8 M.C.F. over the 1967 year to 136.6 M.C.F., while the average gas consumption per commercial customer increased 41.1 M.C.F. to 573.5 M.C.F. These higher consumptions were due in part to the colder weather experienced during the heating seasons of the past fiscal year and to the wider use of natural gas for space heating, water heating and other purposes, particularly in the commercial field.

The volume of gas sold to industry increased 9.5 billion cubic feet over the prior year to 44.7 billion cubic feet. This substantial increase in consumption resulted mainly from the addition of several large industrial customers to the lines and the use of natural gas for a greater number of industrial energy and raw material applications.

Gas sales volume and gross revenue by class of customer and the percentage of improvement for each class were as follows:

GAS SALES VOLUME AND GROSS REVENUE

	Volume in thousands of cubic feet			Revenue in dollars		
Class of customers	Year to March 31, 1968	% of total	% over previous year	Year to March 31, 1968	% of total	% over previous year
Residential	36,217,061	36.2	8.3	$41,173,011	46.9	8.0
Commercial	16,541,172	16.5	12.4	16,537,634	18.8	11.6
Industrial	44,715,275	44.7	27.0	28,605,528	32.5	24.0
Other gas distributors for re-sale	2,625,304	2.6	10.6	1,566,068	1.8	11.6
	100,098,812	100.0	16.7	$87,882,241	100.0	13.5

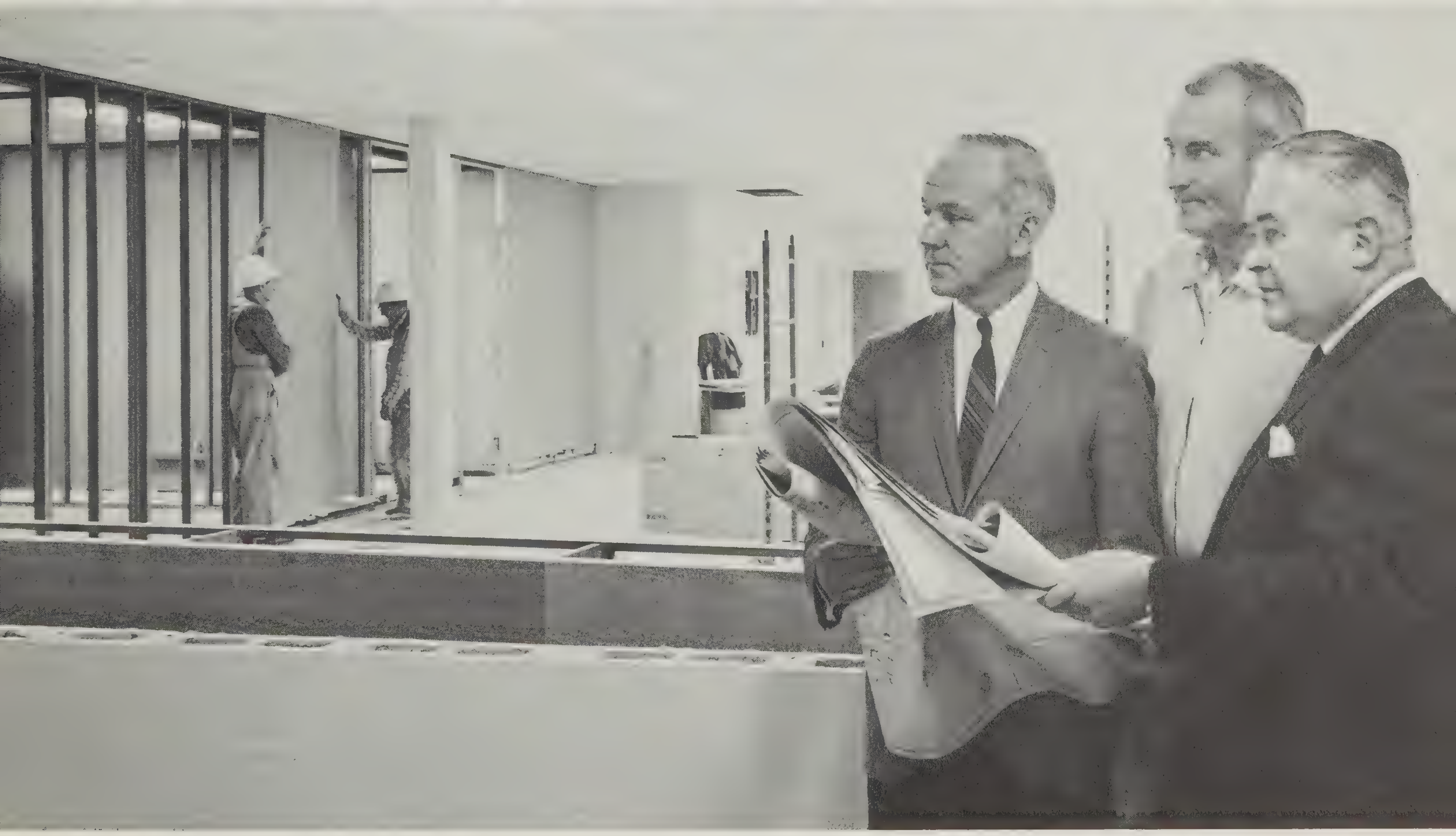
MARKETING

To maintain its record of consistent growth and to meet the challenges of competitive fuels, the Company continually strengthens its promotional programs for the sale of gas to all segments of the market. Advertising media, primarily television, radio and newspapers, are used to impress upon the public the comfort, convenience, cleanliness and economy of natural gas. The many advantages of gas heating for homes and businesses continued to be emphasized throughout the year, resulting in some 12,400 new space heating installations.

As in previous years, sales campaigns and marketing activities of the Company were also directed to the motivation of appliance and equipment dealers and installers as well as builders and contractors to promote the use of natural gas. These include the purchase by the Company of conditional sales agreements covering gas appliances sold by independent dealers; the granting of second mortgage loans to a proportion of the purchasers of new, gas-heated homes built by approved contractors and the rental of gas water heating and space heating equipment under plans which provide for participation by the dealer or installer.

Gas air-conditioning installations are receiving wider acceptance by residential and commercial customers and this favourable trend should enhance future over-all sales, especially in the summer months.

With the growing need for air pollution control, the Company is directing the attention of many industries and commercial establishments to the advantages to be derived in this regard from con-



One of Windsor's newest and finest restaurants offers diners this panorama of the Windsor-Detroit skyline. Like the view, the food is excellent: It's cooked with gas!

During the 1967-68 fiscal year: Work was begun on a combined regional headquarters and service centre building at London (shown here); Waterloo's business office/showroom was moved to more modern quarters; and a new service centre was opened at Stratford.

Milton's new district hospital likes to take good care of all its guests—especially those who may be "enjoying" hospital hospitality for the very first time. This could explain why dependable natural gas was selected not only for the heating system but also to operate the hospital's standby electricity generator in the event of an emergency.

version of their fuel requirements to natural gas. Also, cleaner atmospheres in factories and offices are being achieved through the installation of modern gas heating and air-conditioning equipment. Industrial utilization of gas is constantly being enlarged and improved upon, due in part to the efforts of the Company's representatives.

OTHER OPERATING AND INTEREST INCOME

Other operating and interest income of $7,396,566 was $1,034,039 higher than for the previous fiscal year. Revenue from the transportation of gas for other companies, interest earned on mortgage loans, interest earned on time payment contracts arising from sales of gas appliances, and revenue from the rental of water heating equipment all increased as a result of the larger volume of business.

EXPENSES

Cost of gas sent out

The cost of gas sent out was $40,374,712, up $6,339,315, or 18.6%, over the 1967 fiscal year. This increase reflects the larger volumes of gas dispatched to meet increased customers' requirements and a nominal increase in the unit cost of gas sent out.

Other operating and maintenance expenses

Such costs for the fiscal year ended March 31, 1968 were $20,089,180, an increase of $1,870,347 over the prior year. The continual expansion of the Company's operations, the impact of inflationary trends and the extension of sales and promotional activities were the main reasons for this increased cost of doing business.

Taxes other than income taxes

Taxes other than income taxes totalled $2,408,732, an increase of $93,190 over the previous year. The Company is a substantial taxpayer in the many municipalities in which it operates, since it is assessed on all its fixed properties, including buried pipelines. As the Company enlarges its facilities and as mill rates and assessments are raised by the municipalities, this element of expense continues to increase.

Depreciation and amortization

Depreciation expense of $6,088,796 was $381,225 greater than the amount provided in the 1967 fiscal year because of additions to depreciable property placed in service during the year. Depreciation rates used are the same as for the prior year.

Amortization of natural gas conversion costs of $64,733 represents the final instalment of charges against income for the costs incurred some ten years ago by the Company when customers' appliances in the Hamilton area were converted to use natural rather than manufactured gas.

Income taxes

The provision for income taxes for the 1968 fiscal year of $10,215,000 was greater by $1,249,000 than for the previous year due mainly to the higher operating profit.

The estimated income taxes payable on profit for the year are $7,849,000, or $2,366,000 less than the provision shown above, resulting from the Company claiming for income tax purposes amounts for depreciation, amortization and construction overheads in excess of those charged to income. The accumulated amount by which income taxes have been so reduced (including an adjustment of $734,000 as the result of assessments received during the year) is $18,653,000 and is shown on the balance sheet as "Deferred income taxes". These accumulated tax reductions will be applied in those future periods when the total amount of depreciation and amortization deductible for tax purposes is less than that charged in the income statement.

PROPERTY ACCOUNT

The Company's gross investment in Property Account was $228,132,739 at March 31, 1968, an increase of $18,280,678 over such investment at the end of the previous year.

Extensions and improvements to distribution facilities to serve both the increasing requirements of existing customers and the needs of new residential, commercial and industrial customers accounted for a large part of the Property Account expenditures during the year. The major construction project was the extension of the 34-inch dia-

meter main transmission line for 37 miles to a point near the city of Hamilton. This was the third step in the program to loop completely the present 142-mile, 26-inch diameter, high pressure pipeline extending from the Dawn compressor station to the point of connection with the facilities of Trans-Canada Pipe Lines Limited at Oakville. The 18.5 miles of pipeline required to complete this entire project will be constructed at a future date when needed.

Property Account as at March 31, 1968:

Production	$ 6,137,767
Storage	12,314,954
Transmission	73,747,746
Distribution	118,557,296
General	17,374,976
	$228,132,739

CAPITALIZATION

No additional equity or long term debt financing was undertaken by the Company in the fiscal year ended March 31, 1968. Funds provided from operations, together with short term bank borrowings, were used to finance the Company's construction program and operating requirements.

At March 31, 1968 the consolidated capitalization was as follows:

		% of total
Common shares	$ 30,422,029	
Accumulated earnings retained for use in the business	35,820,347	
Contributed surplus	378,000	
	66,620,376	37.5
Preference shares	19,520,000	11.0
	86,140,376	48.5
Funded debt (exclusive of portion to be retired within 12 months and carried on the balance sheet as a current liability)	91,566,000	51.5
Total capitalization	$177,706,376	100.0

EMPLOYEES

The Company had a staff of 2,047 regular employees as at March 31, 1968. Total payroll for the 1968 fiscal year (including temporary and seasonal employees) was $14,285,439, an increase of $932,664 over the prior year. Employees also qualified for increased benefits under the group insurance, sick leave and pension programs.

An active recruiting program continued throughout the year in an effort to obtain employees of the calibre required to keep pace with and contribute to the Company's growth. Twenty university and technical institute graduates were employed to occupy positions requiring professional and specially trained personnel.

The Company continued to provide training to employees at various levels in order to develop and expand technical skills and general competence. An increasing number of employees are taking advantage of the Company's educational aid program, with a significantly greater number completing approved courses of study taken outside of their regular working hours.

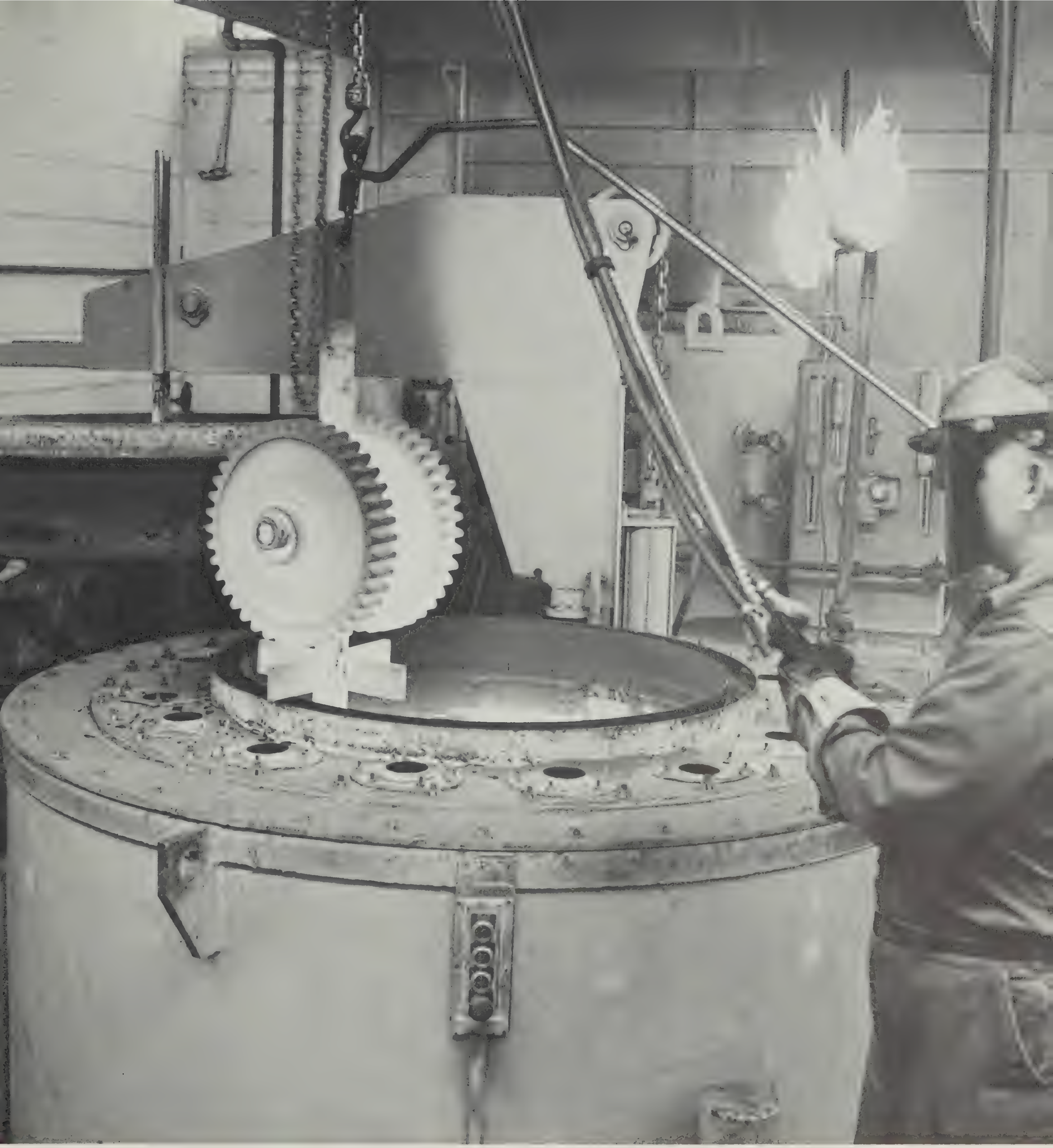
The Company places considerable emphasis on its accident prevention program. Research is carried on with a view to the design and development of safety improvements in many classes of work equipment and of more efficient methods of performing work. As a result, a downward trend in employee injuries has been noted.

These programs and studies are contributing to the effectiveness of the staff as indicated by increased interest in their duties and responsibilities.

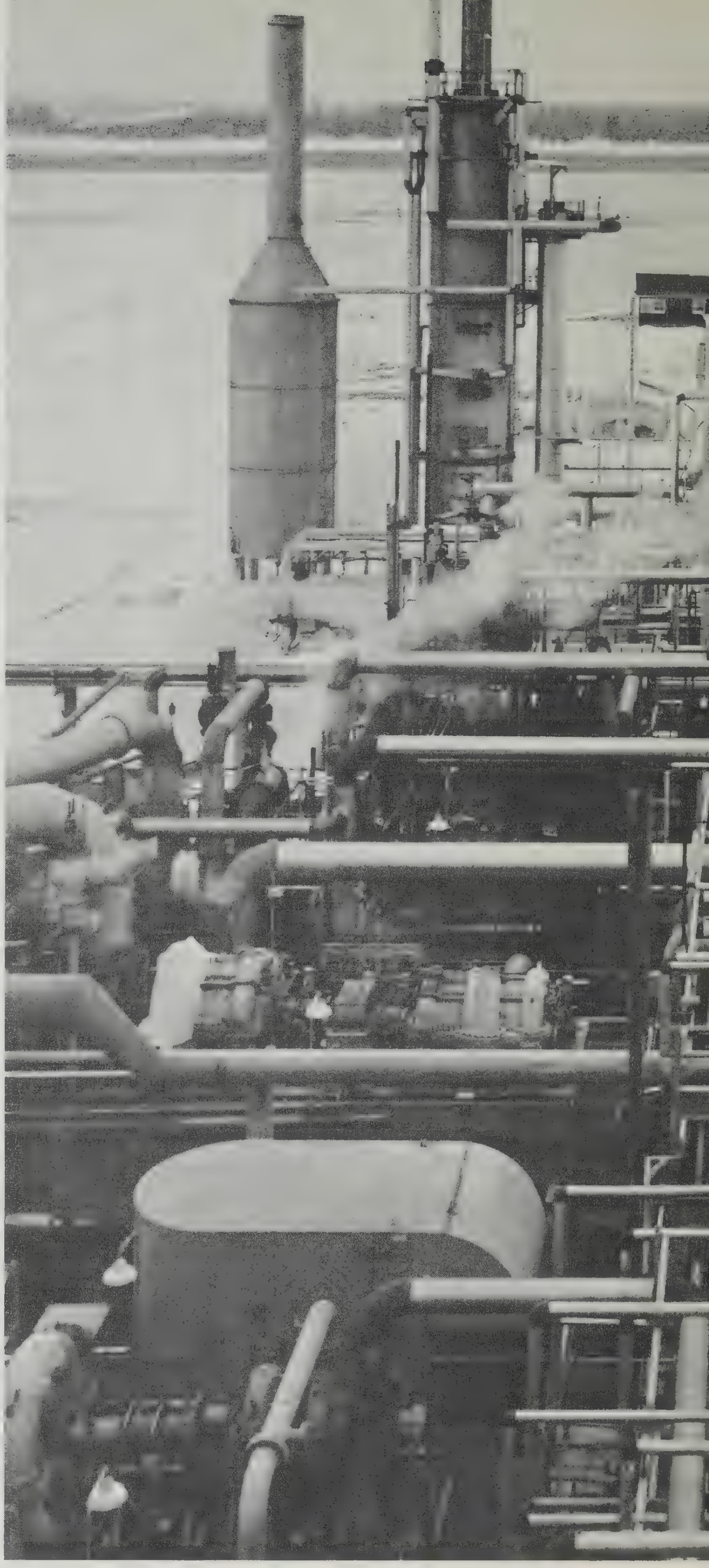
GAS STORAGE

The Company's extensive underground storage facilities lend assurance to all customers of an adequate supply of gas, particularly during the heating seasons when market demands are heaviest and the volume of gas available directly from pipeline suppliers is less than the total required. During the year, 30.9 billion cubic feet were injected into storage and 30.3 billion cubic feet were withdrawn. As at March 31, 1968 the volume of gas in the underground gas storage facilities readily available for sale was 20.5 billion cubic feet.

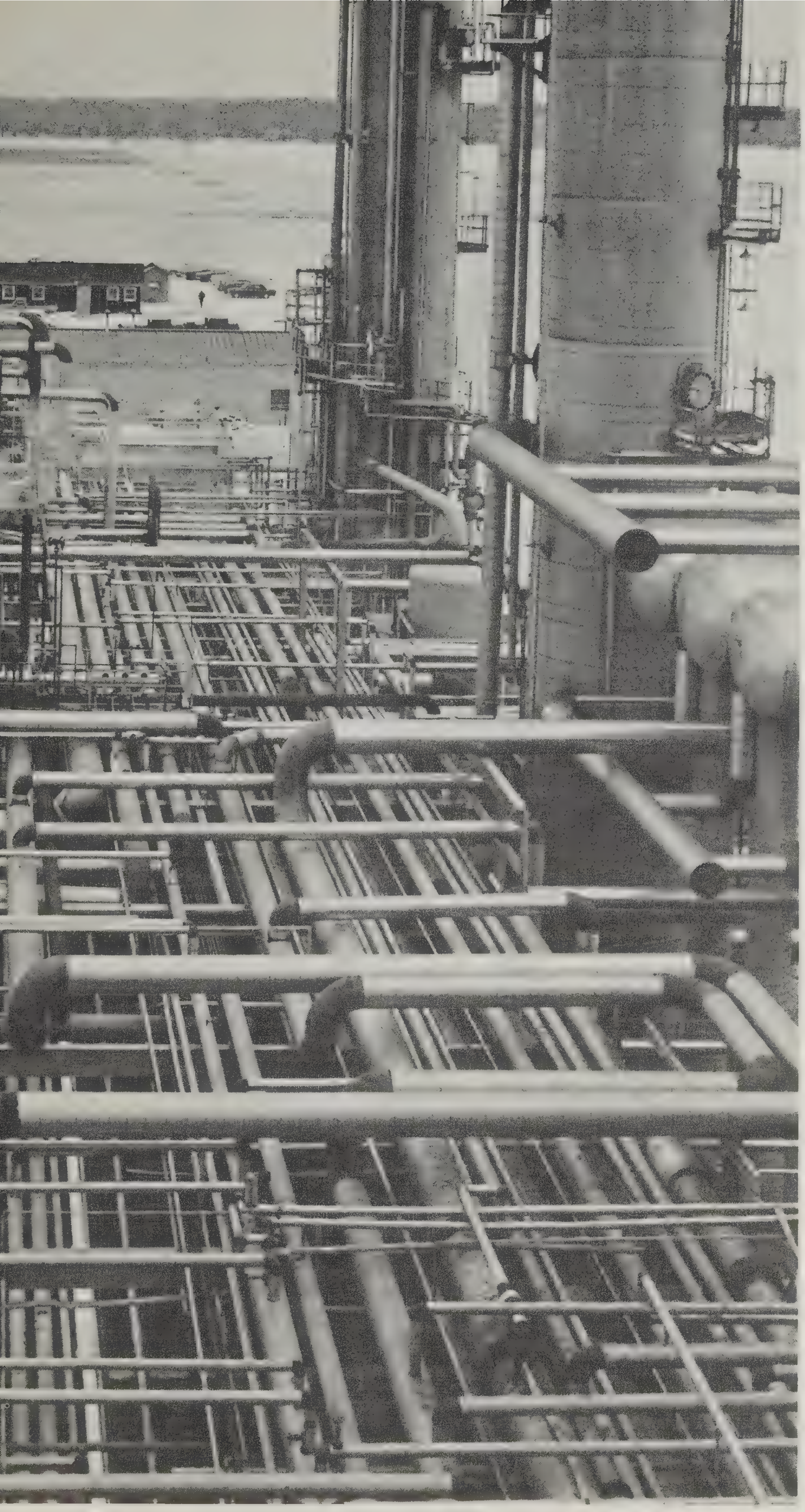
Peak day delivery of gas for the fiscal year occurred on January 8, 1968 when a record volume of 942.4 million cubic feet was sent to market. Of this peak day requirement, 753.0 million cubic feet, or 80%, were supplied from underground storage. The peak day delivery for the previous fiscal year was 808.5 million cubic feet, of which



Bull gears—for road grader transmission assemblies—are removed, glowing hot, from Canada's first pit-type carburizing furnace, at Goderich. Natural gas flame generates a temperature of 1,700°F for this process.



Your Company supplies large volumes of natural gas to this southwestern Ontario plant for use not only as an energy source but also as "feedstock" in the manufacture of fertilizer. **Left:** As feedstock, the gas flows through supply lines (left) to a primary reformer which extracts the hydrogen.



Above: This hydrogen is then combined with nitrogen in a converter tower (left, background) to form ammonia, a basic ingredient of fertilizer. Natural gas is also used to produce steam to drive several turbine compressors (left, foreground).

723.9 million cubic feet were supplied from underground storage.

GAS SUPPLY

A total of 103.0 billion cubic feet of gas was purchased or produced by the Company during the fiscal year ended March 31, 1968. Gas purchased totalled 100.4 billion cubic feet, or 97.5% of the total gas acquired, while the balance of 2.6 billion cubic feet, or 2.5%, was produced from Company wells.

Purchased from Ontario producers:

The total volume of gas purchased from Ontario producers was 9.4 billion cubic feet, 1.2 billion cubic feet less than for the prior year. It is the Company's policy to offer to contract for the purchase of marketable volumes of gas discovered within economic distance of its pipelines.

Purchased from Panhandle Eastern Pipe Line Company:

A total of 25.0 billion cubic feet was purchased from this supplier during the fiscal year ended March 31, 1968, as compared with 20.6 billion cubic feet in the 1967 fiscal year. The Company received full volumes under the contracts in effect during the past year, including 10.0 billion cubic feet delivered under an emergency arrangement initiated during the 1966-67 heating season and continued in the 1967-68 winter period. Of the volumes received from Panhandle Eastern under the emergency arrangement, 6.1 billion cubic feet were made available to other gas companies to assist them in meeting the demands of their customers during the heating seasons. Transmission revenues were received by the Company for delivering this gas.

Purchased from Trans-Canada Pipe Lines Limited:

The volume of gas purchased from this supplier during the fiscal year ended March 31, 1968 totalled 72.1 billion cubic feet, an increase of 4.1 billion cubic feet over the 68.0 billion cubic feet received in the prior year.

On November 1, 1967 Trans-Canada commenc-

ed deliveries to Union at the Dawn compressor station of gas contracted for in 1965 to be supplied through the new pipeline proposed to be constructed through the United States to make additional quantities of western Canada gas available to the markets in the east. The first stage of this pipeline, from Farwell, Michigan to Dawn station, was installed in the summer of 1967 and gas produced in the United States is being delivered on a temporary basis until the second stage of the pipeline, from the Manitoba border to Farwell, Michigan, is completed in the fall of 1968.

Produced from the Company's own wells: Gas produced from the Company's own wells declined to 2.6 billion cubic feet compared with 4.2 billion cubic feet produced in the previous year. The Company is continuing its natural gas exploratory and development work in southwestern Ontario.

GAS PURCHASED AND PRODUCED

	Volumes in thousands of cubic feet			
	Year to March 31, 1968	% of total	Year to March 31, 1967	% of total
Gas purchased from:				
Ontario producers	9,358,543	9.1	10,608,211	10.8
Panhandle Eastern*	18,901,735	18.4	15,243,777	15.6
Trans-Canada	72,132,432	70.0	67,970,852	69.3
Total purchased	100,392,710	97.5	93,822,840	95.7
Gas produced from Company wells	2,585,068	2.5	4,183,406	4.3
Total gas supply**	102,977,778	100.0	98,006,246	100.0

*Exclusive of 6,153,787 M.C.F. purchased on an emergency basis in 1968 fiscal year (5,369,681 M.C.F. in 1967) and made available to other gas companies.
**Excluding gas transmitted and stored for other companies.

UNITED FUEL INVESTMENTS, LIMITED

(in voluntary liquidation)

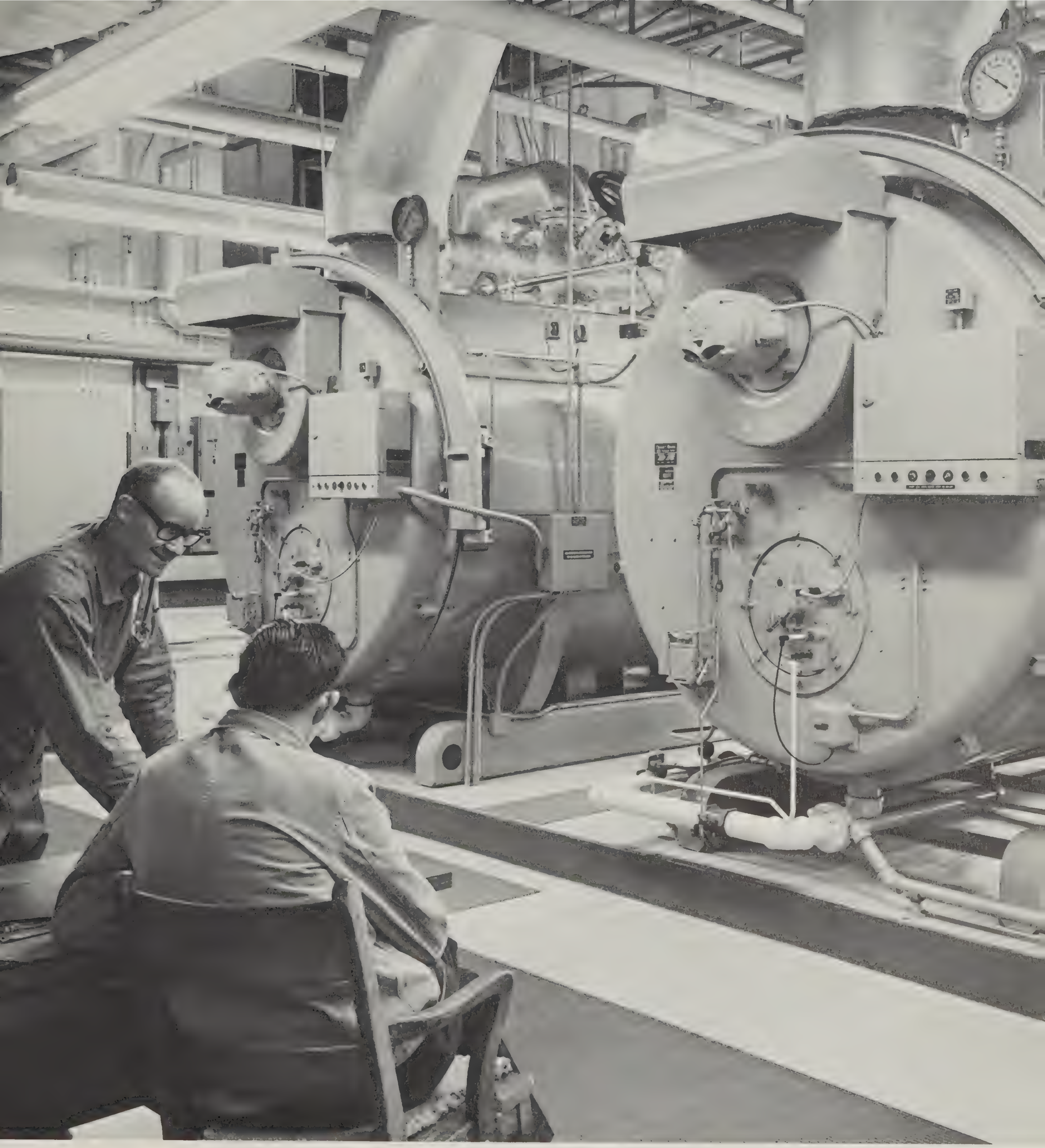
It was pointed out in the Annual Report for the fiscal year ended March 31, 1967 that pursuant to a directive of the Master of the Supreme Court of Ontario steps had been taken preliminary to the sale at public auction of the outstanding common shares of United Gas Limited, all of which are owned by United Fuel Investments, Limited, subject to a reserve bid to be fixed by the Master.

Subsequently, on April 30, 1968, the Master of the Supreme Court of Ontario approved an offer made by Union Gas to purchase from United Fuel all of the 50,000 common shares of United Gas Limited on a basis that would result in a distribution of $500 per share on the common shares of United Fuel, of which all but 92 are owned by Union Gas. Completion of the transaction on this basis will result in United Gas Limited becoming a direct wholly-owned subsidiary of Union Gas and permit completion of the winding up of United Fuel Investments, Limited by the liquidator.

GENERAL

The construction program for the fiscal year ending March 31, 1969 as approved by the Board of Directors totals $24,000,000. While arrangements have been made to initially finance this construction program through bank borrowings, consideration is being given to the possibility of completing additional long term financing.

The Board of Directors expresses sincere appreciation to the employees for their efficient and loyal efforts, which are reflected in this report on the Company's progress in the past year.



In this virtually hospital-clean boiler room, a southwestern Ontario tobacco processor uses these spotless gas-fired package boilers to produce steam and hot water. One of the units generates steam required to condition the tobacco leaves, while the other supplies hot water to heat the building. A gas-fired dryer is also employed in the processing.

CONSOLIDATED BALANCE SHEET

March 31, 1968

(with comparative figures as at March 31, 1967)

Union Gas Company of Canada, Limited (Incorporated under the laws of Ontario) and its subsidiaries, United Fuel Investments, Limited and United Gas Limited

ASSETS	1968	1967
Properties:		
Distribution systems, transmission lines, gas wells and gathering lines, gas storage facilities, base pressure gas, land and buildings, etc.— at cost	$228,132,739	$209,852,061
Less accumulated depreciation	44,387,134	39,443,903
	183,745,605	170,408,158
Premiums paid on acquisition of subsidiary companies	1,741,233	1,741,233
	185,486,838	172,149,391
Current assets:		
Cash	565,455	572,935
Short term investments—at cost which is approximately market value	—	3,750,000
Accounts receivable	18,243,377	17,665,995
Inventories of merchandise, stores and spare equipment, valued at the lower of cost or replacement cost	2,743,971	2,418,473
Prepayments	137,161	160,608
Gas in underground storage, available for current sale—at cost	8,129,898	7,837,631
	29,819,862	32,405,642
Deferred and other assets:		
Funds on deposit with trustees for bondholders	—	599,222
Special refundable tax	618,868	584,298
Mortgages receivable	6,129,906	5,123,937
Balances to be amortized in future years—		
Natural gas conversion costs	—	64,733
Discount and expenses on issues of funded debt	939,756	1,067,881
Other deferred charges	35,112	50,298
	7,723,642	7,490,369
	$223,030,342	$212,045,402

On behalf of the Board:

DAVID P. ROGERS, Director

F. R. PALIN, Director

LIABILITIES	1968	1967
Shareholders' equity:		
Capital stock (note 1)—		
Preference shares with a par value of $50 each:		
Authorized—390,400 cumulative redeemable shares		
Issued —163,200 5½% Series A	$ 8,160,000	$ 8,330,000
— 90,000 6% Series B	4,500,000	4,500,000
—137,200 5% Series C	6,860,000	6,860,000
Common shares without par value:		
Authorized—22,000,000 shares		
Issued —15,022,930 shares	30,422,029	29,719,621
	49,942,029	49,409,621
Contributed surplus	378,000	378,000
Accumulated earnings retained for use in the business (note 4)	35,820,347	31,963,441
	86,140,376	81,751,062
Interest of minority shareholders in United Fuel Investments, Limited, a subsidiary company (note 5)	9,122	7,838
Funded debt (note 3)	91,566,000	95,569,000
Deferred income taxes (note 6)	18,653,000	15,553,000
Current liabilities:		
Bank loan	7,500,000	—
Accounts payable and accrued charges	8,915,676	7,701,463
Dividend payable	1,352,064	1,009,459
Income and other taxes payable	3,719,335	3,852,428
Accrued interest on funded debt	1,171,769	1,223,152
Funded debt instalments due within twelve months	4,003,000	5,378,000
	26,661,844	19,164,502
	$223,030,342	$212,045,402

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended March 31, 1968

(with comparative figures for the 1967 year)

Union Gas Company of Canada, Limited
and its subsidiaries United Fuel Investments, Limited and United Gas Limited

CONSOLIDATED STATEMENT OF INCOME

	1968	1967
Operating revenue and other income:		
Gross revenue from gas sales	$87,882,241	$77,404,076
Other operating income	6,960,890	6,105,341
Investment income	435,676	257,186
	95,278,807	83,766,603
Operating expenses and interest:		
Cost of gas sent out	40,374,712	34,035,397
Other operating and maintenance costs exclusive of items shown separately below	20,089,180	18,218,833
Taxes other than income taxes	2,408,732	2,315,542
Depreciation and amortization of natural gas conversion costs (note 2)	6,153,529	5,810,771
Interest on funded and other debt including discount and expense amortized (less interest charged to construction—$352,903 in 1968; $96,693 in 1967)	6,014,257	5,586,034
	75,040,410	65,966,577
Profit before income taxes	20,238,397	17,800,026
Income taxes (note 6)	10,215,000	8,966,000
Net profit before minority interest	10,023,397	8,834,026
Less interest of minority shareholders on a pro rata basis in net profit of United Fuel Investments, Limited	1,284	1,074
Consolidated net profit for the year	$10,022,113	$ 8,832,952

CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS

	1968	1967
Balance at beginning of year	$31,963,441	$28,247,669
Add consolidated net profit for the year	10,022,113	8,832,952
	41,985,554	37,080,621
Deduct dividends declared (rate per annum):		
Preference shares—		
Series A—$2.75 per share	453,492	462,842
Series B—$3.00 per share	270,000	270,000
Series C—$2.50 per share	343,000	346,500
	1,066,492	1,079,342
Common shares—		
$.34 per share in 1968 and $.27 in 1967	5,098,715	4,037,838
	6,165,207	5,117,180
Balance at end of year	$35,820,347	$31,963,441

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended March 31, 1968

(with comparative figures for the 1967 year)

Union Gas Company of Canada, Limited
and its subsidiaries, United Fuel Investments, Limited and United Gas Limited

	1968	1967
Funds provided:		
Consolidated net profit for the year	$10,022,113	$ 8,832,952
Add amounts deducted in arriving at net profit, which did not involve an outlay of funds—		
Depreciation and amortization	6,592,415	6,266,600
Deferred income taxes	2,366,000	1,840,000
Total funds provided from operations	18,980,528	16,939,552
Income taxes payable, transferred to deferred income taxes (note 6)	734,000	—
Common shares issued (note 1 (b))	702,408	—
Funded debt issued	—	15,000,000
Refund of deposit with trustees for bondholders	599,222	—
Miscellaneous	12,570	15,897
	21,028,728	31,955,449
Funds applied:		
Net expenditure on properties	19,733,104	12,823,698
Retirement of funded debt	4,003,000	5,378,000
Dividends declared—common shares	5,098,715	4,037,838
—preference shares	1,066,492	1,079,342
Net advances on mortgages receivable	1,005,969	1,820,650
Special refundable tax	34,570	584,298
Purchase of preference shares for cancellation	170,000	310,000
Increase of deposit with trustee for bondholders	—	273,407
Funded debt issue costs	—	135,162
	31,111,850	26,442,395
Increase (decrease) in working capital	(10,083,122)	5,513,054
Working capital at beginning of year	13,241,140	7,728,086
Working capital at end of year	$ 3,158,018	$13,241,140
Represented by:		
Current assets	$29,819,862	$32,405,642
Current liabilities	26,661,844	19,164,502
Working capital at end of year	$ 3,158,018	$13,241,140

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Capital stock

(a) The preference shares are redeemable as follows:

Series A—at $51.50 per share up to March 30, 1972 and thereafter at redemption prices reducing in progressive steps to $50.50 per share after March 30, 1976.

Series B—at $55.00 per share at any time.

Series C—at $52.50 per share up to March 30, 1969 and thereafter at redemption prices reducing in progressive steps to $50.50 per share after March 30, 1981.

Under the conditions attaching to the Series A and Series C preference shares, the Company is committed to purchase shares for cancellation if their market prices fall to par or below as follows:

Series A—in amounts up to $170,000 annually
Series C—in amounts up to $140,000 annually.

As required by the Supplementary Letters Patent, a special appropriation of retained earnings is shown on the books of the company to reflect this commitment. In compliance with the above-mentioned conditions, 3,400 Series A shares were purchased and cancelled during the year ended March 31, 1968.

(b) Under the Company's stock option plan for certain executive and other key employees, options were granted during the year on 4,500 common shares at a price of \$11⅞ per share and options previously granted on 67,975 shares at \$10⅓ were exercised. At March 31, 1968, 23,250 shares remain reserved and unallocated and options granted on 88,775 shares remain outstanding, exercisable at \$10⅓ or \$11⅞ and expiring at dates from November, 1975 to June, 1977.

2. Depreciation
Depreciation is provided on the straight line basis at various rates based on engineering appraisal of the useful service life of each class of property. Total depreciation and amortization of natural gas conversion costs for the year ended March 31, 1968 amounted to \$6,464,290 (\$6,137,005 in 1967). Of this amount, \$6,153,529 was charged directly as an operating expense and the remainder of \$310,761 was allocated partly to other expense accounts and partly to property accounts.

3. Funded debt
Details of this debt as at March 31, 1968 are as follows:

	Total outstanding	Current liability	Long term portion 1968	Long term portion 1967
Union Gas Company of Canada, Limited:				
First mortgage and collateral trust bonds—				
4¾% serial bonds, Series B, due December 1, 1968	\$ 450,000	\$ 450,000	—	\$ 450,000
5% sinking fund bonds, Series B, due December 1, 1977	8,694,000	303,000	\$ 8,391,000	8,694,000
5¼% sinking fund bonds, Series C, due January 15, 1978	14,000,000	1,000,000	13,000,000	14,000,000
	23,144,000	1,753,000	21,391,000	23,144,000
Debentures—				
5¾% sinking fund debentures, 1957 series, due January 15, 1975	5,250,000	350,000	4,900,000	5,250,000
5% serial debentures, 1958 series, due December 1, 1968	325,000	325,000	—	325,000
5½% sinking fund debentures, 1958 series, due December 1, 1977	6,600,000	—	6,600,000	6,600,000
5¾% sinking fund debentures, 1961 series, due July 15, 1981	12,200,000	525,000	11,675,000	12,200,000
5½% serial debentures, 1963 series, due February 15, 1969-1971	1,200,000	400,000	800,000	1,200,000
5¾% sinking fund debentures, 1963 series, due August 15, 1983	12,000,000	—	12,000,000	12,000,000
5¾% serial debentures, 1965 series, due March 1, 1969-1973	2,000,000	400,000	1,600,000	2,000,000
5⅞% sinking fund debentures, 1965 series, due September 1, 1985	13,000,000	—	13,000,000	13,000,000
7% sinking fund debentures, 1967 series, due January 5, 1987	15,000,000	—	15,000,000	15,000,000
	67,575,000	2,000,000	65,575,000	67,575,000
United Gas Limited:				
First mortgage bonds—				
5¼% sinking fund bonds, due October 1, 1977	4,850,000	250,000	4,600,000	4,850,000
Total amounts per balance sheet	\$95,569,000	\$4,003,000	\$91,566,000	\$95,569,000

4. Accumulated earnings retained for use in the business
The trust deeds and indentures providing for the issue of the company's bonds and debentures contain certain restrictions regarding the amount that may be paid as dividends. At March 31, 1968 accumulated earnings retained for use in the business in the amount of $15,324,660 were free from limitation under the most stringent of these restrictions.

5. Interest of minority shareholders in United Fuel Investments, Limited
During the year ended March 31, 1964, an order directing that United Fuel Investments, Limited be wound up under the provisions of the Winding-up Act of Canada was affirmed in the Supreme Court of Canada. A permanent liquidator was appointed and the Master of the Supreme Court of Ontario was directed to supervise the winding up. Pending the completion of the liquidation of United Fuel, the minority interest was calculated on the basis of the pro rata amount that would be received if book values were realized for the assets of United Fuel.

Subsequent to March 31, 1968, the Master of the Supreme Court of Ontario approved an offer by Union Gas to purchase from United Fuel all the shares of United Gas on a basis that would result in a distribution of $500 per share on the 92 shares of United Fuel held by minority shareholders. The effect of this offer on the liability to the minority shareholders has not been reflected in the accompanying consolidated balance sheet as at March 31, 1968.

6. Deferred income taxes
As a result of claiming allowances for income tax purposes for depreciation, amortization of natural gas conversion costs and construction overheads in excess of amounts charged in arriving at profit for the year, income taxes payable will be less than the current year's provision by $2,366,000 ($1,840,000 in 1967) and accordingly this amount is included in the balance sheet in the item "deferred income taxes". In addition, $734,000 was transferred during the year from current "income and other taxes payable" to "deferred income taxes" to reflect assessments received in respect of prior years.

7. Directors' and senior officers' remuneration
Direct remuneration of directors and senior officers totalled $249,160 during the year ended March 31, 1968.

8. Capital expenditures and commitments
Capital expenditures of approximately $24,000,000 have been authorized by the directors for the fiscal year ending March 31, 1969.

The company is committed to advance additional mortgage funds totalling $1,460,000 under its financial assistance plan for land developers and builders and has guaranteed bank loans totalling $1,518,000.

9. Employee pension plan
The company's pension plan was revised as of January 1, 1966 creating an unfunded past service obligation at that date. This obligation is being funded and written off against operations over the fifteen year period to 1981 in amounts based on actuarial advice. The amount funded in 1968 was $225,000 and the estimated unfunded balance at March 31, 1968 was approximately $2,200,000.

AUDITORS' REPORT

To the Shareholders of Union Gas Company of Canada, Limited:

We have examined the consolidated balance sheet of Union Gas Company of Canada, Limited and its subsidiaries, United Fuel Investments, Limited and United Gas Limited, as at March 31, 1968 and the consolidated statements of income, accumulated earnings retained for use in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

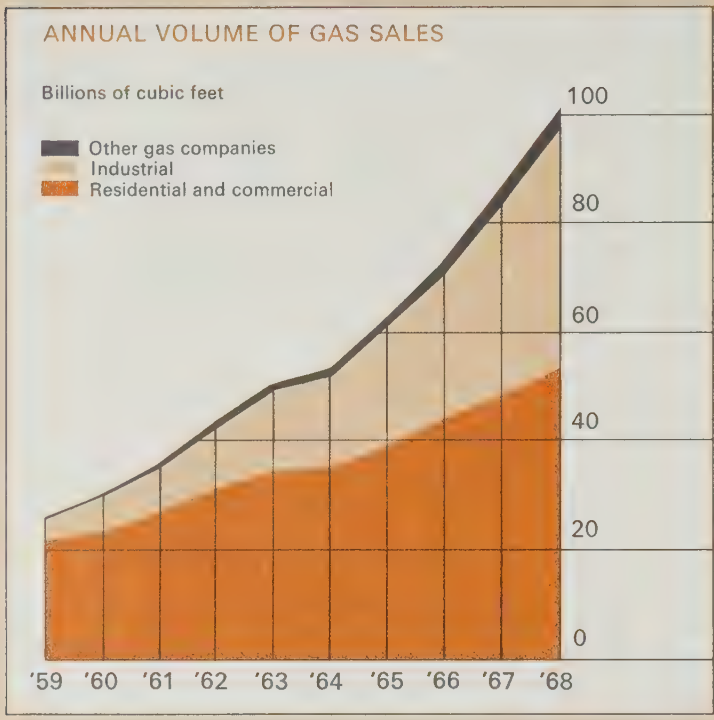
Clarkson, Gordon & Co.
Chartered Accountants

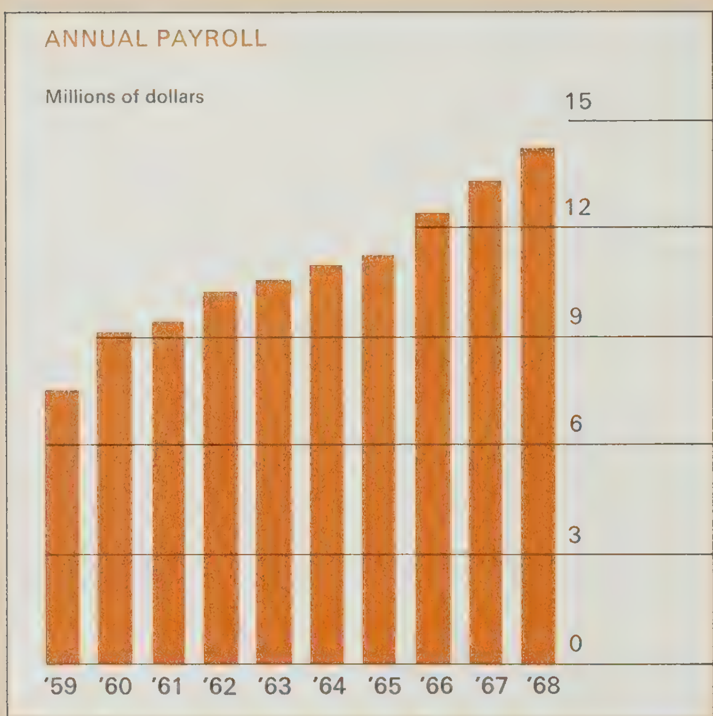
Toronto, Canada, May 13, 1968.

FINANCIAL AND OPERATING STATISTICS—1959-1968

Fiscal years ended March 31

Union Gas Company of Canada, Limited and its subsidiaries, United Fuel Investments, Limited and United Gas Limited





	1968
Revenues, Expenses and Net Earnings	
Revenues:	
Gas sales	$ 87,882,241
Other income	7,396,566
Total revenue	95,278,807
Expenses:	
Cost of gas sent out	40,374,712
Operating and maintenance expenses	22,497,912
Depreciation and amortization of natural gas conversion costs	6,153,529
Interest on funded debt and bank loans	6,014,257
Total expenses	75,040,410
Profit before income taxes	20,238,397
Income taxes	10,215,000
Net profit before minority interest	10,023,397
Less: Minority shareholders' interest	1,284
Net profit	10,022,113
Preference share dividends	1,066,492
Net earnings applicable to common shares	$ 8,955,621
Earnings per common share (A)	59.6¢
Dividends declared per common share	34.0¢
Source and Application of Funds	
Source of funds:	
Net profit for year	$ 10,022,113
Depreciation and amortization	6,592,415
Deferred income taxes	3,100,000
Funded debt issues	—
Common share issues	702,408
Preference share issues	—
Refund of deposit with trustee for bondholders	599,222
Redemption of Coke Company bonds	—
Dividends from Coke Company	—
Sale of Coke Company shares	—
Total	$ 21,016,158
Application of funds:	
Net expenditure on Property Account	$ 19,733,104
Dividends declared—common shares	5,098,715
Dividends declared—preference shares	1,066,492
Retirement of funded debt	4,003,000
Funded debt and stock issue expense	—
Net advances on mortgages receivable	1,005,969
Special refundable tax	34,570
Purchase of preference shares for cancellation	170,000
Redemption of United Fuel preference shares	—
Cash consideration to acquire preference shares of United Fuel	—
Natural gas conversion costs	—
Miscellaneous items	(–)12,570
Increase or decrease (–) in working capital	(–)10,083,122
Total	$ 21,016,158
Working capital, end of year	$ 3,158,018

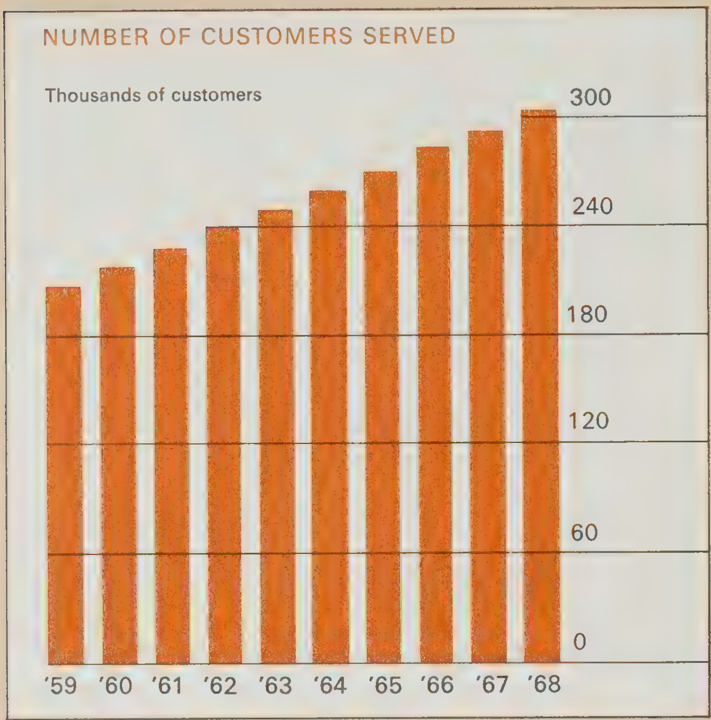
Note: (A) On basis of number of shares outstanding at year end.

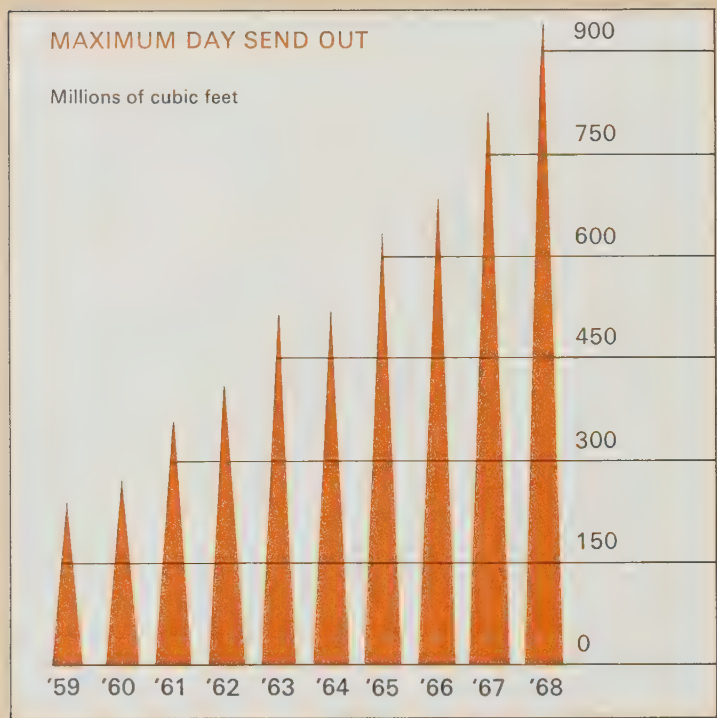
1967	1966	1965	1964	1963	1962	1961	1960	1959
77,404,076	$ 66,972,790	$ 59,037,639	$ 50,834,072	$ 48,613,568	$ 42,930,596	$ 36,689,485	$ 33,021,305	$ 28,694,935
6,362,527	5,446,280	5,000,236	4,715,376	3,864,576	3,599,719	2,979,333	2,628,205	2,201,214
83,766,603	72,419,070	64,037,875	55,549,448	52,478,144	46,530,315	39,668,818	35,649,510	30,896,149
34,035,397	28,480,582	24,215,010	20,176,628	19,002,182	15,687,996	12,453,555	11,358,694	9,683,532
20,534,375	18,593,028	16,797,705	15,935,916	14,982,174	14,132,250	12,331,336	11,279,865	9,253,594
5,810,771	5,318,534	4,800,098	4,353,987	4,129,552	3,820,988	3,448,841	3,137,807	2,931,225
5,586,034	4,652,300	4,386,216	4,276,692	4,079,110	3,704,486	3,315,394	3,252,177	3,141,045
65,966,577	57,044,444	50,199,029	44,743,223	42,193,018	37,345,720	31,549,126	29,028,543	25,009,396
17,800,026	15,374,626	13,838,846	10,806,225	10,285,126	9,184,595	8,119,692	6,620,967	5,886,753
8,966,000	7,708,000	7,273,000	5,531,000	5,299,000	4,692,000	4,097,000	3,347,000	3,077,000
8,834,026	7,666,626	6,565,846	5,275,225	4,986,126	4,492,595	4,022,692	3,273,967	2,809,753
1,074	1,024	918	7,498	42,411	28,621	106,223	245,046	129,135
8,832,952	7,665,602	6,564,928	5,267,727	4,943,715	4,463,974	3,916,469	3,028,921	2,680,618
1,079,342	1,087,500	948,801	737,500	737,500	737,500	644,458	467,500	57,800
7,753,610	$ 6,578,102	$ 5,616,127	$ 4,530,227	$ 4,206,215	$ 3,726,474	$ 3,272,011	$ 2,561,421	$ 2,622,818
51.8¢	44.0¢	37.6¢	33.3¢	30.9¢	27.4¢	24.1¢	19.3¢	19.8¢
27.0¢	23.3¢	20.8¢	20.0¢	16.7¢	16.7¢	15.8¢	12.7¢	10.7¢
8,832,952	$ 7,665,602	$ 6,564,928	$ 5,267,727	$ 4,943,715	$ 4,463,974	$ 3,916,469	$ 3,028,921	$ 2,680,618
6,266,600	5,721,314	5,177,090	4,735,768	4,491,941	4,175,717	3,769,208	3,423,149	3,079,663
1,840,000	2,127,000	2,852,000	1,617,000	1,202,000	1,185,300	1,086,961	1,186,723	1,360,619
15,000,000	15,000,000	—	14,000,000	—	14,000,000	—	—	28,000,000
—	—	7,268,755	—	—	—	—	—	—
—	—	7,000,000	—	—	—	—	—	8,500,000
—	778,078	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	925,000
—	—	—	—	—	—	—	1,079,910	650,000
—	—	—	—	—	—	—	3,100,716	—
31,939,552	$ 31,291,994	$ 28,862,773	$ 25,620,495	$ 10,637,656	$ 23,824,991	$ 8,772,638	$ 11,819,419	$ 45,195,900
12,823,698	$ 18,542,481	$ 21,103,253	$ 15,655,974	$ 10,935,614	$ 13,199,627	$ 11,984,187	$ 13,255,811	$ 32,012,431
4,037,838	3,489,490	3,047,639	2,719,083	2,265,878	2,265,878	2,140,779	1,677,225	1,412,400
1,079,342	1,087,500	948,801	737,500	737,500	737,500	644,458	467,500	57,800
5,378,000	3,678,000	3,125,000	3,175,000	2,418,000	2,332,000	2,221,000	1,304,000	2,690,000
135,162	123,052	—	172,490	—	220,606	—	—	1,084,179
1,820,650	1,075,913	580,143	496,201	226,626	357,842	526,248	—	—
584,298	—	—	—	—	—	—	—	—
310,000	—	—	—	—	—	—	—	—
—	—	—	865,170	—	—	—	—	—
—	—	—	—	—	—	555,221	—	—
—	—	—	—	—	—	—	—	205,892
257,510	(–)4,763	387,290	108,165	192,353	65,150	(–)92,366	311,237	164,356
5,513,054	3,300,321	(–)329,353	1,690,912	(–)6,138,315	4,646,388	(–)9,206,889	(–)5,196,354	7,568,842
31,939,552	$ 31,291,994	$ 28,862,773	$ 25,620,495	$ 10,637,656	$ 23,824,991	$ 8,772,638	$ 11,819,419	$ 45,195,900
13,241,140	$ 7,728,086	$ 4,427,765	$ 4,757,118	$ 3,066,206	$ 9,204,521	$ 4,558,133	$ 13,765,022	$ 18,961,376

STATISTICS—CONTINUED

Fiscal years ended March 31

(M.C.F. means thousand cubic feet)

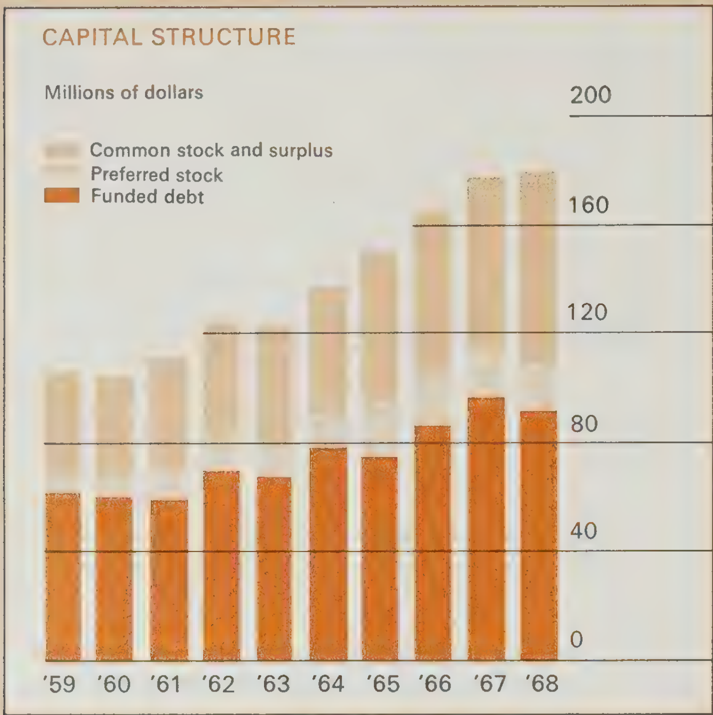


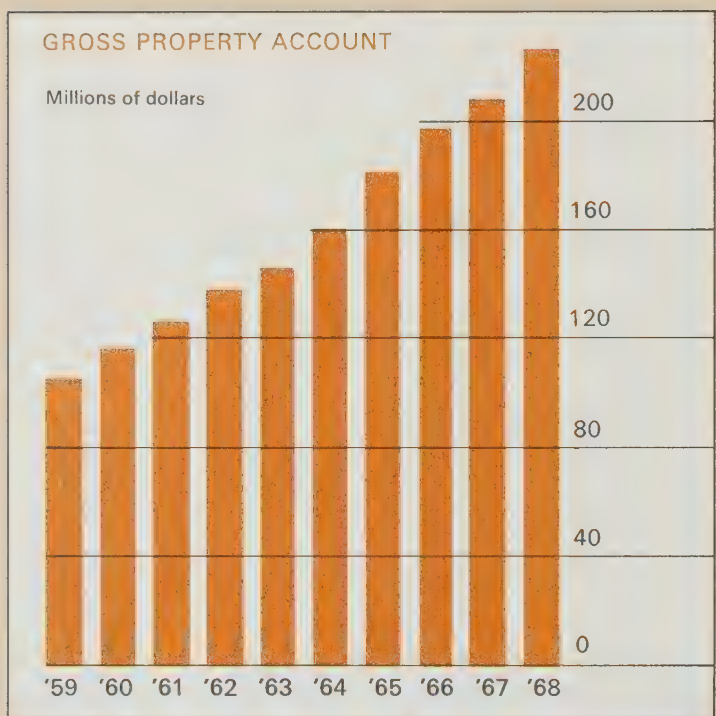


	1968
Customers—(end of year)	
Residential	270,959
Commercial	29,769
Industrial	2,890
Other utilities	9
Total	303,627
Gas Sales—M.C.F.	
Residential	36,217,061
Commercial	16,541,172
Industrial	44,715,275
Other utilities	2,625,304
Total	100,098,812
Gas Sales Revenue	
Residential	$ 41,173,011
Commercial	16,537,634
Industrial	28,605,528
Other utilities	1,566,068
Total	$ 87,882,241
Average Gas Use per Customer—M.C.F.	
Residential	136.6
Commercial	573.5
Gas Balance—M.C.F.	
Gas produced from Company wells	2,585,068
Gas purchased:	
Ontario sources	9,358,543
Other sources	91,034,167
Gas received under storage, exchange, etc., contracts, less gas purchased in place	24,931,273
Total all gas	127,909,051
Gas into storage	30,863,527
Gas out of storage	30,319,904
Net gas into or out of (–) storage	543,623
Total gas sent out	127,365,428
Gas sales	100,098,812
Gas delivered under storage, exchange, etc., contracts	24,864,517
Company use	862,461
Unbilled, unaccounted for, etc.	1,539,638
	127,365,428
Maximum day send-out—M.C.F.	942,356
Gas out of storage on maximum day—M.C.F.	753,014
Degree day deficiency	7,614

1967	1966	1965	1964	1963	1962	1961	1960	1959
261,610	252,725	243,661	234,310	223,876	215,732	206,439	197,331	189,732
28,364	27,405	26,222	24,751	23,438	22,415	21,823	20,195	17,189
2,668	2,453	2,305	2,084	1,920	1,830	1,694	1,476	1,089
9	9	9	9	8	6	6	6	6
292,651	282,592	272,197	261,154	249,242	239,983	229,962	219,008	208,016
33,455,696	30,604,253	28,545,692	25,101,125	25,423,992	23,246,981	20,368,705	18,813,254	16,996,075
14,714,311	12,322,125	10,476,853	8,728,979	8,205,232	7,246,354	6,077,538	4,987,939	4,056,962
35,220,133	27,136,472	21,048,268	17,721,608	15,278,452	11,188,247	7,654,927	6,428,278	4,802,210
2,374,187	2,053,194	1,762,278	1,316,381	1,038,328	740,633	597,577	515,748	424,969
85,764,327	72,116,044	61,833,091	52,868,093	49,946,004	42,422,215	34,698,747	30,745,219	26,280,216
38,126,203	$ 35,002,846	$ 32,669,726	$ 28,863,627	$ 28,944,876	$ 26,633,367	$ 23,648,798	$ 21,979,261	$ 19,910,653
14,813,126	12,534,636	10,764,410	9,032,244	8,478,959	7,562,017	6,416,318	5,293,406	4,329,826
23,061,495	18,234,406	14,589,874	12,160,839	10,577,135	8,250,374	6,219,459	5,395,167	4,175,947
1,403,252	1,200,902	1,013,629	777,362	612,598	484,838	404,910	353,471	278,509
77,404,076	$ 66,972,790	$ 59,037,639	$ 50,834,072	$ 48,613,568	$ 42,930,596	$ 36,689,485	$ 33,021,305	$ 28,694,935
130.8	124.1	120.0	110.2	116.2	110.7	101.2	97.3	94.4
532.4	462.7	415.8	365.0	361.8	331.4	291.1	276.3	251.6
4,183,406	3,957,159	3,882,108	4,521,606	5,312,239	4,475,060	4,747,686	4,067,627	3,951,231
10,608,211	8,258,482	8,446,415	9,701,356	9,978,607	10,255,928	12,101,444	12,087,079	11,838,424
83,214,629	70,292,770	50,674,950	42,139,934	32,457,738	28,537,448	21,965,533	16,856,805	11,599,724
21,738,180	16,689,068	13,712,245	13,518,523	9,550,084	11,454,175	5,948,424	5,959,155	5,025,300
119,744,426	99,197,479	76,715,718	69,881,419	57,298,668	54,722,611	44,763,087	38,970,666	32,414,679
34,026,625	28,171,182	19,457,311	25,981,740	21,251,681	19,512,973	16,887,811	10,812,260	7,770,308
25,121,068	18,233,082	23,892,755	23,172,547	25,763,637	18,581,906	15,228,834	8,939,636	11,034,408
8,905,557	9,938,100	(–)4,435,444	2,809,193	(–)4,511,956	931,067	1,658,977	1,872,624	(–)3,264,100
110,838,869	89,259,379	81,151,162	67,072,226	61,810,624	53,791,544	43,104,110	37,098,042	35,678,779
85,764,327	72,116,044	61,833,091	52,868,093	49,946,004	42,422,215	34,698,747	30,745,219	26,280,216
22,254,400	14,873,870	16,259,364	11,134,857	9,805,057	10,080,636	6,187,452	3,623,969	6,398,798
878,046	760,983	994,728	662,822	529,508	470,085	461,216	465,740	459,262
1,942,096	1,508,482	2,063,979	2,406,454	1,530,055	818,608	1,756,695	2,263,114	2,540,503
110,838,869	89,259,379	81,151,162	67,072,226	61,810,624	53,791,544	43,104,110	37,098,042	35,678,779
808,477	677,355	628,500	526,357	512,237	412,360	358,436	264,504	244,948
723,916	527,502	547,080	386,138	411,324	301,897	211,808	145,434	176,598
7,464	7,198	7,328	6,967	7,512	7,235	6,889	7,055	7,374

STATISTICS—CONTINUED
Fiscal years ended March 31





	1968
Condensed Consolidated Balance Sheet	
Assets:	
Property Account	$228,132,739
Less accumulated depreciation	44,387,134
	183,745,605
Premiums paid on acquisition of subsidiary companies	1,741,233
Investment in Coke Company	—
Current assets	29,819,862
Deferred and other assets	7,723,642
Total	$223,030,342
Liabilities:	
Shareholders' equity—	
Preference shares	$ 19,520,000
Common shares	30,422,029
Retained earnings	35,820,347
Contributed surplus	378,000
Total	86,140,376
Minority shareholders' interest	9,122
Funded debt	91,566,000
Deferred income taxes	18,653,000
Deferred credit	—
Current liabilities	26,661,844
Total	$223,030,342
Equity Per Common Share	
No par value common shares outstanding	15,022,930
Equity per share	$ 4.43
Property Account	
Gross book value beginning of year	$209,852,061
Additions:	
Plant acquisitions and additions	16,248,055
Plant replacements	3,628,438
Gross additions and replacements	19,876,493
Retirements:	
Gross value of plant retired	1,595,815
Net additions to Property Account	18,280,678
Gross book value end of year	$228,132,739
Miles of pipeline	
Gathering and storage lines	624
Transmission lines	1,677
Distribution lines	5,419
Total	7,720

1967	1966	1965	1964	1963	1962	1961	1960	1959
209,852,061	$198,552,021	$181,513,021	$161,847,643	$147,701,789	$138,534,260	$127,419,000	$117,661,350	$105,770,057
39,443,903	34,937,655	30,958,546	27,457,734	24,486,010	22,002,825	20,159,539	18,942,544	17,081,007
170,408,158	163,614,366	150,554,475	134,389,909	123,215,779	116,531,435	107,259,461	98,718,806	88,689,050
1,741,233	1,741,233	1,741,233	1,741,233	1,741,233	1,741,233	1,741,233	1,547,949	1,547,949
—	—	—	—	—	—	—	—	4,554,350
32,405,642	25,675,336	20,257,463	20,483,633	16,173,008	19,774,223	14,245,404	21,803,307	24,752,594
7,490,369	4,928,369	4,749,945	4,019,997	3,524,587	3,313,426	3,203,931	3,005,507	3,372,273
212,045,402	$195,959,304	$177,303,116	$160,634,772	$144,654,607	$141,360,317	$126,450,029	$125,075,569	$122,916,216
19,690,000	$ 20,000,000	$ 20,000,000	$ 13,000,000	$ 13,000,000	$ 13,000,000	$ 13,000,000	$ 8,500,000	$ 8,500,000
29,719,621	29,719,621	29,719,621	22,450,866	22,450,866	22,450,866	22,450,866	20,938,286	20,938,286
31,963,441	28,247,669	25,159,057	22,590,569	20,307,350	18,367,013	16,906,417	15,549,811	14,854,156
378,000	378,000	378,000	378,000	378,000	378,000	378,000	—	—
81,751,062	78,345,290	75,256,678	58,419,435	56,136,216	54,195,879	52,735,283	44,988,097	44,292,442
7,838	6,764	5,740	4,822	1,369,589	1,336,736	1,317,673	8,061,771	8,278,030
95,569,000	85,947,000	74,625,000	77,750,000	66,925,000	69,343,000	57,675,000	59,896,000	61,200,000
15,553,000	13,713,000	11,586,000	8,734,000	7,117,000	5,915,000	4,729,700	3,642,739	2,456,015
—	—	—	—	—	—	305,102	448,677	898,511
19,164,502	17,947,250	15,829,698	15,726,515	13,106,802	10,569,702	9,687,271	8,038,285	5,791,218
212,045,402	$195,959,304	$177,303,116	$160,634,772	$144,654,607	$141,360,317	$126,450,029	$125,075,569	$122,916,216
14,954,955	14,954,955	14,954,955	13,595,415	13,595,415	13,595,415	13,595,415	13,241,250	13,241,250
4.15	$ 3.90	$ 3.69	$ 3.34	$ 3.17	$ 3.03	$ 2.92	$ 2.76	$ 2.70
198,552,021	$181,513,021	$161,847,643	$147,701,789	$138,534,260	$127,419,000	$117,661,350	$105,770,057	$ 74,319,981
10,420,615	15,322,651	18,569,081	12,792,161	7,123,335	9,004,302	9,247,083	11,781,318	30,967,931
2,534,973	3,386,464	2,580,024	2,966,755	3,876,682	4,498,114	3,037,484	1,532,157	1,230,885
12,955,588	18,709,115	21,149,105	15,758,916	11,000,017	13,502,416	12,284,567	13,313,475	32,198,816
1,655,548	1,670,115	1,483,727	1,613,062	1,832,488	2,387,156	2,526,917	1,422,182	748,740
11,300,040	17,039,000	19,665,378	14,145,854	9,167,529	11,115,260	9,757,650	11,891,293	31,450,076
209,852,061	$198,552,021	$181,513,021	$161,847,643	$147,701,789	$138,534,260	$127,419,000	$117,661,350	$105,770,057
627	627	642	663	685	702	717	740	761
1,630	1,592	1,560	1,501	1,403	1,401	1,369	1,350	1,298
5,240	5,061	4,846	4,644	4,303	4,117	3,804	3,618	3,359
7,497	7,280	7,048	6,808	6,391	6,220	5,890	5,708	5,418

UNION GAS COMPANY OF CANADA, LIMITED
Head Office: 50 Keil Drive North, Chatham, Ontario

TRANSFER AGENTS

Preference Shares

5½% Series A

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver.

6% Series B

Canada Permanent Trust Company, Toronto, Montreal and Calgary.

5% Series C

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg and Calgary.

Common Shares

Canada Permanent Trust Company, Toronto, Montreal and Calgary.
The Chase Manhattan Bank, New York.

REGISTRARS

Preference Shares

5½% Series A

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver.

6% Series B

Canada Permanent Trust Company, Toronto, Montreal and Calgary.

5% Series C

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg and Calgary.

Common Shares

Crown Trust Company, Toronto and Montreal.
Canada Permanent Trust Company, Calgary.
Chemical Bank New York Trust Company, New York.

DIVIDEND DISBURSING AGENT

Preference Shares, Series A, B and C, and Common Shares

Canada Permanent Trust Company, Toronto.

TRUSTEE FOR BOND AND DEBENTURE ISSUES

Canada Permanent Trust Company, Toronto.

Produced in Canada by Southam-Murray

SYSTEM MAP ▶

During the 1967-68 fiscal year, your Company continued to expand and improve its system to better supply the growing demands of its various markets across southwestern Ontario. A key part of this program involved the construction of additional transmission pipeline facilities.


Southwestern Ontario
Showing facilities of
Union Gas Company of Canada, Limited
and United Gas Limited
as at March 31, 1968
Pipeline systems
Union Gas Company of Canada, Limited
United Gas Limited
Proposed pipelines are shown as broken lines in the appropriate color
Major compressor stations
Gas storage fields of the Company
Portion of gas transmission facilities of Trans-Canada Pipe Lines Limited and The Consumers' Gas Company
LAKE HURON
GEORGIAN BAY
LAKE SIMCOE
LAKE ST. CLAIR
LAKE ERIE
LAKE ONTARIO
STATE OF MICHIGAN
STATE OF NEW YORK
Port Elgin
OWEN SOUND
Meaford
Thornbury
Collingwood
Midland
Elmvale
Stayner
ORILLIA
BARRIE
Walkerton
Hanover
Durham
Goderich
Mount Forest
Harriston
Palmerston
Listowel
Arthur
Shelburne
Alliston
Clinton
Seaforth
Drayton
Orangeville
Newmarket
Elora
Fergus
Grand Bend
Mitchell
Elmira
WATERLOO
GUELPH
Acton
Georgetown
STRATFORD
KITCHENER
New Hamburg
St. Marys
Hespeler
Trafalgar Station
TORONTO
PORT HURON
SARNIA
Courtright
Petrolia
Watford
Preston
GALT
Milton
Ilderton
Strathroy
Sombra
Pt. Lambton
Dawn
Alvinston
LONDON
WOODSTOCK
OAKVILLE
Wallaceburg
Mt. Brydges
Ingersoll
Paris
Dundas
BURLINGTON
DETROIT
Dresden
Glencoe
Lambeth
BRANTFORD
Ancaster
HAMILTON
WINDSOR
Stoney Creek
Belle River
Thamesville
ST. THOMAS
Norwich
Dutton
Tillsonburg
Caledonia
Amherstburg
CHATHAM
Waterford
Essex
Rodney
Port Stanley
Delhi
Hagersville
ST. CATHARINES
Lewiston
Ridgetown
Simcoe
Tilbury
Jarvis
Cottam
Blenheim
Harrow
Merlin
Port Dover
Cayuga
NIAGARA FALLS
Leamington
Wheatley
Kingsville
Port Alma
St. Williams
Dunnville
WELLAND
Port Royal
Port Maitland
PORT COLBORNE
Fort Erie

UNION GAS

ANNUAL REPORT 1968